

City of Long Beach, California



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

Prepared by the Department of Financial Management
Michael A. Killebrew, Director

City of Long Beach
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2006

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CITY OF LONG BEACH

OFFICE OF THE CITY MANAGER

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GERALD R. MILLER
CITY MANAGER

June 21, 2007

Honorable Mayor and City Council
City of Long Beach

In accordance with Section 302(e) of the City Charter, submitted herewith is the Comprehensive Annual Financial Report (CAFR) for the City of Long Beach (City) for the fiscal year ended September 30, 2006. This report has been prepared by the Department of Financial Management in accordance with generally accepted accounting principles (GAAP) and was audited in accordance with generally accepted auditing standards and government auditing standards by a firm of licensed certified public accountants.

This report contains management's representations concerning the finances of the City, and management assumes full responsibility for the completeness and reliability of all of the information presented. To provide a reasonable basis for making these representations, management of the City of Long Beach has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. As the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's basic financial statements have been audited by KPMG LLP, an international public accounting firm fully licensed and qualified to perform audits of the State and local governments within the State of California. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended September 30, 2006 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditors concluded that there was a reasonable basis for rendering an unqualified opinion that the City's basic financial statements for the fiscal year ended September 30, 2006 are fairly presented in conformity with accounting principles generally accepted in the United States. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the City's basic financial statements is part of a broader, federally-mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the City's fair presentation of the financial statements, but also on the City's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of Federal awards. The City's separately issued "Single Audit" report is available by contacting the City's Department of Financial Management.

The City prepared this CAFR using the financial reporting requirements outlined in the Governmental Accounting Standards Board (GASB) Statement No. 34. This statement requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors in the accompanying financial section.

Profile of the Government

The City of Long Beach, incorporated in 1897, is the fifth largest City in the State of California, located within Los Angeles County in Southern California. The City occupies a land area of approximately 50 square miles and serves a population of approximately 493,000.

The City operates under a City Charter first adopted in 1921. The City Charter establishes the current Mayor-Council-City Manager form of government. The City is divided into nine councilmanic districts, with Councilmembers elected to represent their respective districts for up to two four-year terms. The citizens, as a whole, elect a Mayor to serve up to two, four-year terms. The citizens, as a whole, also elect a City Auditor, City Prosecutor and City Attorney to serve four-year terms; however, there are no term limits for these positions. The City Council and Mayor appoint a City Manager who serves at their discretion. The City Council is a policy-setting body that is responsible, among other things, for enacting ordinances, adopting the budget and appointing committees. The City Council appoints, among others, the members of the following commissions and boards:

- Citizen Police Complaint Commission
- Civil Service Commission
- Harbor Commission
- Parks and Recreation Commission
- Planning Commission
- Water Commission

The City Council also either serves as or appoints the voting majority of the governing board for the Parking Authority, the Southeast Resource Recovery Facility (SERRF) Joint Powers Authority, Housing Authority of the City of Long Beach, Long Beach Housing Development Company, Redevelopment Agency of the City of Long Beach, Long Beach Bond Financing Authority and the Long Beach Public Transportation Company.

The City Manager is responsible for directing and supervising the administration of all City Manager-directed departments of the City, to ensure that laws, ordinances, orders, resolutions, contracts, leases and franchises are enforced and executed, and for appointing all City employees except for classified civil service employees, the City Clerk, elected officers, and their appointees.

The City provides a full range of municipal services, including police, fire, disaster preparedness, public health and environmental services, library, parks and recreation, social services, engineering, public works, sanitation, planning and community development, gas, water, airport and towing services. The City operates and maintains a world-class international deep-water harbor, a nationally recognized convention center, beaches and marinas. The City also administers oil extraction operations under a trust agreement with the State of California.

The annual budget serves as the foundation for the City's financial planning and control. The City Manager must submit a proposed budget to the Mayor on or before July 1st and the Mayor must present that proposed budget along with recommendations to the City Council on or before August 1st. The City Council is required to hold one or more public hearings on the proposed budget and to adopt a final budget on or before September 30, the close of the City's fiscal year. The budget must be approved by fund and department. The City Council adopted the fiscal year 2006 budget prior to September 30, 2005 for all funds except for expendable trust funds. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various funds. The City Council may amend the budget by motion during the fiscal year. The City Manager may transfer appropriations within the departments or within a given fund, without City Council approval, provided that the total appropriations at the fund level and at the department level do not change. Transfers of appropriation between funds or departments require City Council approval. Total expenditures of each fund may not exceed fund appropriations, and total expenditures for each department may not exceed departmental appropriations. Appropriations lapse at the end of the fiscal year to the extent they have not been expended or encumbered.

A Year of Achievement and Change

In September 2006, culminating a multi-pronged effort spanning four years, the Long Beach City Council adopted a budget that eliminated the final portion of the projected \$102 million structural deficit that had challenged the City since 2003. Led by input from the Mayor, City Council and the community, management's quest to eliminate the structural deficit was conducted with sensitivity to community needs while creatively maximizing existing resources and creating new revenue streams. The accomplishment is even more noteworthy considering it was achieved without employee layoffs or major reductions in core City services, at the same time adding 80 police officers to the force.

As the community expressed satisfaction with the resolution of the City's financial crisis, they bid an affectionate farewell to Mayor Beverly O'Neill, who left office after twelve illustrious years at the City's helm. Mayor O'Neill was succeeded on July 15, 2007 by former Southern California Edison President, Bob Foster, who was overwhelmingly elected to his first term in office.

In addition, three new City Councilmembers were elected in the Second, Third and Fifth Districts, along with a new City Auditor. The representative for the Sixth District was elected to the State Legislature in November 2006 and was replaced in a special election held on May 1, 2007.

New individuals in the executive, legislative and managerial branches of City government will lead to a logical re-examination of City priorities and focus areas; nevertheless, the challenge of maintaining the City's fiscal integrity and solvency will continue.

Balancing Infrastructure Requirements With Limited Revenues

Long Beach was settled over a century ago, and large sections were developed during and immediately after World War II. In the oldest sections of the City, the infrastructure is in urgent need of maintenance, repair or replacement. Streets, alleys, sidewalks and natural gas mains all require ongoing and expensive maintenance. To address the concerns of residents, there have been larger investments in capital improvement projects in recent years. There is, however, a growing desire both in City government and in the community to accelerate the pace of infrastructure remediation and to find resources to fund it. The recently approved State Proposition 1B will result in \$15 million in increased funding for street repairs in Long Beach over the next three years, albeit one-time. The structural deficit taught us there must be ongoing vigilance on how City expenditures are identified and approved. Likewise, there is increased scrutiny in the community and by the City Council on whether expenditures are distributed equitably throughout the City.

Recruiting and Retaining A High Quality and Diverse Workforce

Negotiated pension benefits and escalating medical costs continue to exert pressure on retirement and benefit funding. Increasingly, personnel related costs, such as public safety pay and post-retirement benefits threaten to absorb all or most anticipated revenue growth. However, management does recognize that the City must remain competitive with surrounding municipalities to attract and retain the highest quality employees, so salary pressures are expected to remain a major issue. Moreover, the City Council has expressed an ongoing interest in recruiting a workforce that reflects the cultural and ethnic diversity of the city at large. USA Today named Long Beach "America's Most Diverse City" and both management and elected officials are committed to encouraging and enhancing workforce diversity within the guidelines prescribed by State and Federal law. In recognition of the challenges inherent in recruiting and retaining a qualified diverse workforce, an optimization study focusing on those efforts is underway.

Continued Stimulation of Economic Growth and Commercial Development

Long Beach is the 33rd largest city in the United States, larger than Cleveland, Atlanta, Miami, Minneapolis, Pittsburgh and Kansas City. The transformation from a declining Navy town to a thriving center for business, tourism and upscale residential development continues at a steady pace.

Even with the recent stabilization of property values nationwide, Long Beach continues to attract investments in both commercial and residential development. In the downtown district a "critical mass" is being achieved in the creation and build-out of residential, office, retail and entertainment space. The resurgence of the Long Beach downtown has been noted in both regional and national media, recently being named one of the "Top Ten Turnaround Downtowns" by the Urban Land Management Institute.

The City is also in the seminal phases of the Douglas Park development, located adjacent to the Long Beach Airport. Douglas Park is comprised of 238 acres in the City of Long Beach and 23 acres in the City of Lakewood and will feature:

- Up to 3.1 million square feet of commercial floor area including office, research and development, and light industrial;
- Up to 400 hotel rooms; and,
- Up to 200,000 square feet of new, neighborhood, retail amenities.

An existing Boeing facility will remain to accommodate continuing work on the C-17 Globemaster, the work-horse of the U.S. military airlift capability.

In addition, in fiscal year 2006, the Economic Development Bureau provided 323 loans totaling more than \$25 million dollars to area businesses. Further, over 900 \$2,000 start-up grants have been awarded to small businesses. On the residential front, there will be more than 5,000 additional living spaces downtown by 2010, bringing in more than 10,000 new full-time residents. The City's efforts are being directed all across the economic spectrum. For example, the Long Beach Enterprise Zone program has issued over 16,500 vouchers, each representing a job for an economically disadvantaged individual, while providing Long Beach businesses with more than \$300 million in State income tax credits. Moreover, the Enterprise Zone was expanded to include 72 percent of the City, a marked increase from the existing enterprise zone that encompasses only 42 percent of the City. The Enterprise Zone was also extended for an additional 15 years further strengthening the future of the local economy.

A New Sense of Urgency on the Environment

Environmental concerns have achieved greater importance and attention by residents and their elected representatives. Economic advancement is hollow without assurances that the physical well-being of our planet and future generations will not be harmed, but rather improved through our actions. The future sustainability of any city depends on the health of its natural environment. In Long Beach, environmental stewardship means long-term planning and a commitment to clean neighborhoods, streets, water, parks and beaches. With the enthusiastic support of environmental activists, the City Council in 2006 authorized the formation of an Environmental Commission. In addition, an Alternative Energy Optimization Task Force has been convened with membership and input from various City departments whose charge is to ensure the most efficient and environmentally friendly utilization of energy in all City operations.

Mark Twain Library

The Mark Twain library, a new 16,000 square foot facility, will be dedicated in mid-2007 as the City's first 21st Century library. The new library will be the first public building in Long Beach certified by LEED (Leadership in Energy and Environmental Design). LEED is a certification program administered by the U.S. Green Building Council. The library will be certified at the "silver" level, higher than the basic LEED certification level due to the building's construction designed to conserve water and energy, minimize waste by using recycled products, promote a healthy indoor environment and demonstrate innovation in design.

Convention Business and Tourism

Under the auspices of the Long Beach Convention and Visitors Bureau, tourism and convention bookings continued to stimulate the City's economy. The Bureau reported that over 6,000,000 people visited the City in 2006, either as attendees at conventions or as private tourists.

Plans are proceeding for new downtown hotels in close proximity to the Convention Center that will make the City even more attractive to groups considering a Southern California locale. The City's scenic ocean front setting is a convincing selling point that most other cities are unable to compete against.

The Port of Long Beach

The significance of the Port of Long Beach and its adjacent neighbor, the Port of Los Angeles, to the regional, state and national economy cannot be overstated. In 2006, the Port handled 85 million metric tons of cargo, an increase of 5.3 percent over 2005. Over 300,000 jobs (1 in 22) in the five-county Southern California region are directly related to the port, as are almost 1.5 million jobs throughout the nation.

The ongoing positive economic impact of the Ports has been tempered in recent years by increasing environmental awareness and post 9/11 security concerns. The Port is making a concerted effort to address environmental issues resulting from its size and growth. Infrastructure is being developed to permit berthed vessels to utilize cold ironing, a process that allows them to be powered by clean, shore-based electrical power rather than running their diesel engines. The Port of Long Beach's "Green Port" policy, adopted in January 2005, entered its second year of existence and is aimed at reducing air emissions, protecting aquatic ecosystems, removing contaminated soils and improving the quality of water in Long Beach's Harbor.

The federal government provides the majority of funding for seaport security improvements in the United States. Since 9/11, the federal government has increased funding for port security by over 500 percent, from \$259 million a year in 2001 to about \$1.6 billion a year in 2005, the most recent year for which final figures are available. Long Beach public safety officials are continuing to work with County, State and Federal authorities to address port security concerns, as well as critical funding issues.

The Airport

Despite the decision of American Airlines to cease operations at Long Beach Airport in 2006, there were 12,834 airline landings at the facility or only 1.4 percent fewer landings than in 2005. Passenger traffic for 2006 totaled 2,758,362, a reduction of 9.1 percent. All flight slots have since been reactivated by other airlines. The airport remains a vital component of both financial health and convenient service for Long Beach residents and visitors alike, but its very existence remains a source of concern for residents who live in the landing or take-off flight paths. The City remains committed to adhering to limits mandated by its court-approved Noise Ordinance, concurrent with providing for respectable airport facilities.

The approval of the Environmental Impact Report by the City Council has moved the airport terminal improvements closer to reality after airport size and project scope decisions are finalized.

Neighborhoods and Housing

In recognition of the oft-stated sentiment that the strength of a city is in its neighborhoods, there continues to be an increased focus on the quality of life throughout the many diverse and historic residential areas of Long Beach.

Given resource constraints, the pace of ongoing sidewalk, street and other infrastructure repairs is being accelerated at the direction of the Mayor and City Council. The City is also continuing its community outreach for input on maintaining and prioritizing services; there is tacit agreement among all parties that quality neighborhoods and housing involve a mix of good design, long-term planning, consistent rules and enforcement, regular upkeep, historic preservation and clean streets.

The City has also increased graffiti and nuisance abatement efforts and officials are continually seeking community input on both maintaining and prioritizing core services. The City's multi-neighborhood library system is one such popular service, and the Mayor's actions to restore prior cuts exemplify the City's commitment to respond to citizen concerns. As mentioned previously, the City is constructing its first branch library in over 10 years.

Although the rise in housing values has moderated somewhat, coastal property is still highly valued. There is widespread concern among officials and residents about the ability of low- to moderate-income residents to find adequate housing in the current market. Several current projects are addressing these concerns including:

- Jamboree Housing's Puerto del Sol, which will open in 2007, will provide 64 rental apartments for very-low income residents and families.
- Site acquisition for the Menorah Housing Senior Housing Project was completed during 2006. Construction will begin during the summer of 2007 and is estimated for completion in 2008. The project has 66 affordable units.

- Financial assistance was approved for the Villages at Cabrillo for the construction of 80 rental units for moderate-income buyers at the Neo Zoe townhome development.
- DECRO Long Beach, with the use of Federal Home Investment Partnership Program dollars, completed the major rehabilitation of an additional 32 of the 320 units scheduled for rehabilitation, for a completed total to date of 158 units.

Performance Based Budgeting - A Future Full of Promise

The City of Long Beach is committed to prudent management of resources and maintaining transparency, accountability and ongoing communication with the community. Under the guidance of the City Manager's Office and the Department of Financial Management, City departments began the final implementation of the City's performance-based management initiative, Focus On Results (FOR Long Beach). FOR Long Beach uses specific performance measures to evaluate City services and make decisions about the City's operations. City management has expressed a high degree of confidence that the skillful utilization of performance management data will increase accountability at all levels of government and better align City operations with Mayoral, City Council and community priorities. City Manager departments are now tracking specific performance measures on a monthly and quarterly basis.

Cash Management Policies and Practices

To maintain flexibility in cash management, the City employs a pooled cash system (see Notes 2 and 4 to the Basic Financial Statements in the Financial Section). Under the City's pool, all available cash is invested daily in various securities, while maintaining reasonable liquidity to meet maturing obligations and maximizing returns through the use of competitive rate comparisons from various investment sources.

The City's pooled investments for fiscal year 2006 averaged \$1,362,707,000 and earned an annual average return of 3.69 percent, reflecting a 101 basis point increase over the prior year. The City's pooled investments averaged \$1,259,597,000 for fiscal year 2005 and earned an annual average return of 2.68 percent.

The rate of return demonstrates that the City maintained a reasonable and safe return on its investments during fiscal year 2006, while employing prudent investment policies to safeguard the City's cash assets and maintaining adequate levels of liquidity. The City's Department of Financial Management presents cash and investment reports to the City Manager, Investment Advisory Committee and City Council each fiscal quarter. The City Auditor also performs a quarterly independent audit of City cash accounts and investments for adherence to the City's Statement of Investment Policy. The City's general investment strategies are set forth in a formal Statement of Investment Policy, which has been written in accordance with State law and is reviewed and approved annually by the City Council.

Risk Management

The City is self-insured for workers' compensation and tort liability. City management believes that sufficient funds have been accumulated in the City's Insurance Internal Service Fund to meet losses as they arise. Various risk control techniques are also in place, including safety training for employees and the inclusion of appropriate legal provisions in third party contracts and leases that are incorporated to minimize risk of loss. Additional information about the City's self-insurance programs is reported in Note 14 to the Basic Financial Statements in the accompanying Financial Section of this report.

Debt Administration

During fiscal year 2006, the City and its agencies issued approximately \$85.8 million in debt as follows:

Fund / Agency	Amount (millions)	Purpose
Redevelopment Agency	\$ 35.0	Downtown and North Long Beach Project Areas
Tidelands Fund / Rainbow Harbor	50.8	Refinancing of Rainbow Harbor Bonds
	<u>\$ 85.8</u>	

More detailed information about the debt position of the City is reported in Notes 8 through 11 of the notes to the Basic Financial Statements in the accompanying Financial Section of this report, as well as in the Schedules of Debt Capacity of the accompanying Statistical Section that complies with the new Governmental Accounting Standards Board (GASB) Statement No. 44.

Pension and Other Post Employment Benefits

The City provides full-time employees retirement and disability benefits, including annual cost-of-living adjustments and death benefits through the California Public Employees' Retirement System (CalPERS), agent multiple-employer public employee defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. The contribution requirements to the pension plan are established and amended by CalPERS. The City's funding policy is to make contributions as determined by CalPERS. Based on the latest actuarial valuations by CalPERS, the City contributed the employer portion of 11.325 percent and 15.100 percent of salary for miscellaneous and safety employees respectively in fiscal year 2006.

Based on the latest CalPERS actuarial valuation as of June 30, 2005, the miscellaneous employees' pension plan was funded at 95.4 percent and the safety employees' plan at 103.0 percent, compared to 95.9 percent and 102.2 percent, as of June 30, 2004, respectively.

The City provides Special Status Contractors, and Seasonal and Temporary employees retirement, death and disability benefits through a Public Agency Retirement System (PARS) defined benefit single employer retirement plan.

The PARS plan is administered through a third-party administrator. The City's funding policy is to make the contribution as determined by the PARS plan's actuary. The PARS plan was funded at 166 percent as of September 30, 2006 and the City contributed the full Annual Pension Cost of 0.34 percent based on the actuarial valuation for September 30, 2006.

The City also provides post-retirement health care benefits under the provisions of the City's Personnel Ordinance where upon retirement from the City, retirees, their spouses and eligible dependents are allowed to use the cash value of the employee's accumulated unused sick leave to pay for health, dental, vision, short- and long-term disability and long-term care insurance under the City's Retired Employees' Health Insurance Program. As of September 30, 2006, there were 769 participants in this program at a cost of \$5,527,400 during the fiscal year. Consistent with Governmental Accounting Standards Board (GASB) No. 45 requirements, the City has hired an independent actuarial firm to analyze and calculate the City's unfunded accrued actuarial liability for these other post employment benefits. The results of this study will be available in 2007, in sufficient time to implement GASB 45 by the required deadline of September 30, 2008.

Additional information on the pension arrangements and post employment health-care benefits can be found in Notes 12 and 13 in the accompanying Financial Section of this report.

Independent Audit

Section 803 of the City Charter requires the City Auditor, at least once in each fiscal year, to audit the financial statements of the City. Immediately upon completion of such audit, the City Auditor shall make and file with the City Clerk a written report thereof. The City Auditor contracted with an independent certified public accounting firm for the audit of the City's Basic Financial Statements for the fiscal year ended September 30, 2006. The Independent Auditors' report has been included in this report.

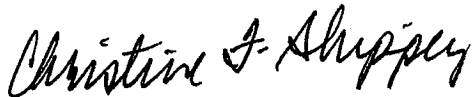
Awards

The California Society of Municipal Finance Officers (CSMFO) awards its Certificate of Award for Outstanding Financial Reporting to recognize those entities whose comprehensive annual financial reports are judged to conform substantially to the highest standards for preparation of state and local government financial reports. The Comprehensive Annual Financial Report (CAFR) of the City of Long Beach has been awarded this certificate by the CSMFO for the fiscal year ended September 30, 2005.

Acknowledgments

We wish to acknowledge the excellent participation and professional contribution of the Department of Financial Management and other City departments' staff in the preparation of this document. In particular, we would like to acknowledge the very special contribution of Ms. Claudia Santos, Accounting Operations Officer, for her 29 years of dedication and service to the City of Long Beach. The CAFR requires a considerable amount of effort and time, in addition to normal daily job duties. The continued dedication of all staff involved in the development of this Comprehensive Annual Financial Report is most appreciated.

Respectfully submitted,



for

GERALD R. MILLER
City Manager



MICHAEL A. KILLEBREW
Director of Financial Management

California Society of Municipal Finance Officers

Certificate of Award

Outstanding Financial Reporting 2004-05

Presented to the

City of Long Beach

*This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting system from which the reports were prepared.*

February 24, 2006



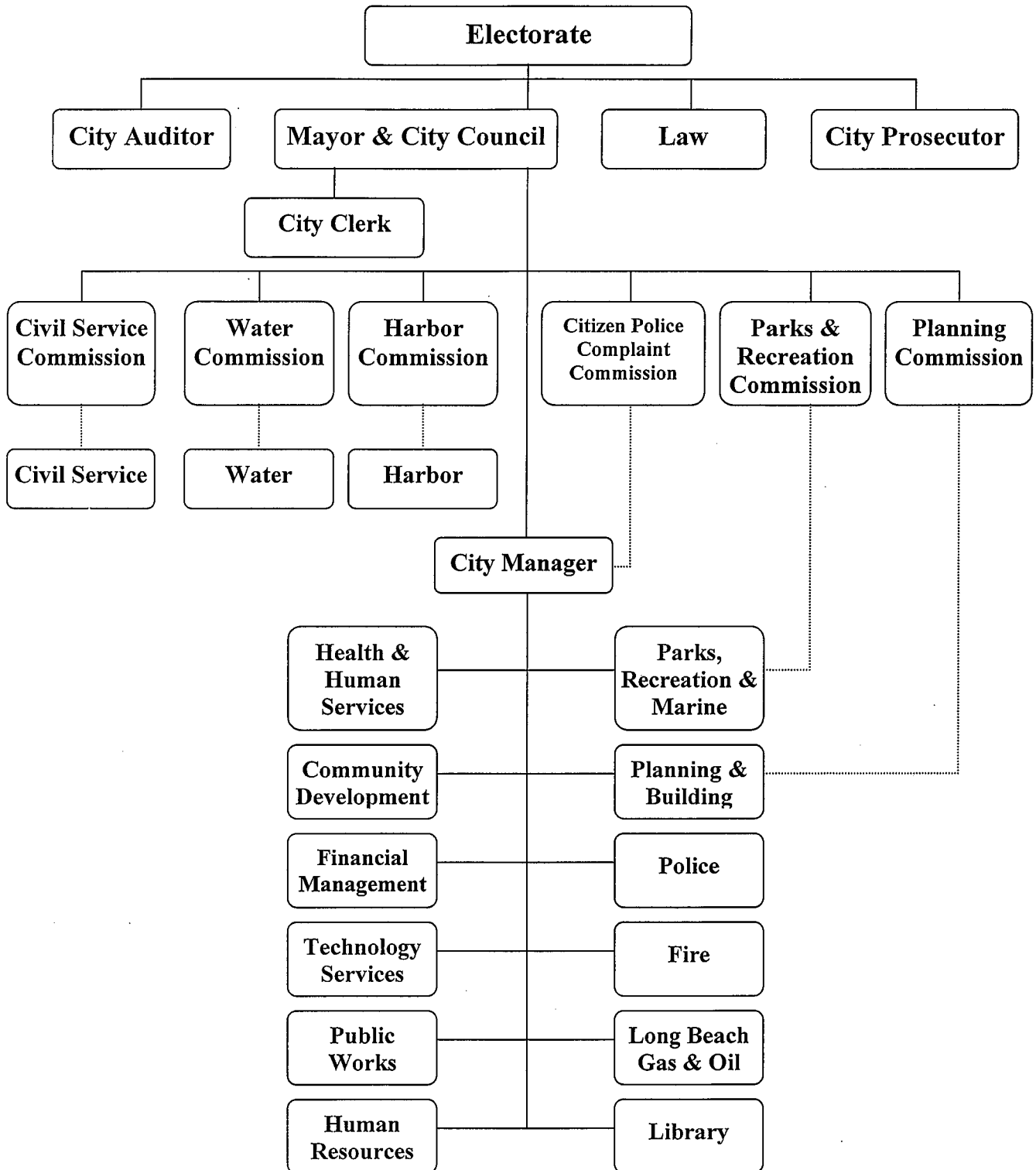

Jesse Takahashi, Chair
Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management

LONG BEACH CITY GOVERNMENT

ORGANIZATION CHART

As of September 30, 2006



Current
Directory of City Officials *

Bob Foster
Mayor

Bonnie Lowenthal
Vice-Mayor
1st District

Suja Lowenthal
Councilmember
2nd District

Gary DeLong
Councilmember
3rd District

Patrick O'Donnell
Councilmember
4th District

Gerrie Schipske
Councilmember
5th District

Dee Andrews
Councilmember
6th District

Tonia Reyes Uranga
Councilmember
7th District

Rae Gabelich
Councilwoman
8th District

Val Lerch
Councilmember
9th District

Elected Department Heads

City Attorney
City Auditor
City Prosecutor

Robert E. Shannon
Laura Doud
Thomas M. Reeves

Appointed by Council or Commission

City Clerk
Executive Director - Civil Service
Executive Director - Harbor
General Manager - Water

Larry Herrera
Mario R. Beas
Richard D. Steinke
Kevin L. Wattier

City Manager
Gerald R. Miller

Assistant City Manager
Christine F. Shippey

Deputy City Managers
Reginald I. Harrison
Curtis Tani (Acting)

Director of Community Development
Director of Financial Management
Director of Health and Human Services
Director of Human Resources and Affirmative Action
Director of Library Services
Director of Long Beach Gas and Oil
Director of Parks, Recreation and Marine
Director of Planning and Building
Director of Public Works
Director of Technology Services
Fire Chief
Chief of Police

Patrick H. West
Michael A. Killebrew
Ronald Arias
Suzanne R. Mason
Eleanore Schmidt
Christopher J. Garner
Phil T. Hester
Suzanne Frick
Christine F. Andersen
Jack Ciulla (Acting)
David W. Ellis
Anthony W. Batts

* City Officials as of date of printing



KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568

Independent Auditors' Report

The Honorable Mayor and City Council
City of Long Beach, California:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Long Beach, California (the City) as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Airport Enterprise Fund, Parking Authority (subfund of Tidelands Fund), and Air Quality Improvement Fund (subfund of Transportation Fund), which represent the following percentages, respectively, of the assets, net assets or fund balance, and revenues of the following opinion units:

Opinion units	Assets	Net assets or fund balance	Revenues
Governmental activities	<1%	<1%	<1%
Business-type activities	2.25	3.21	2.47
Aggregate remaining fund information	14.17	29.47	5.01
Tidelands fund	—	—	<1

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Airport Enterprise Fund, Parking Authority, and Air Quality Improvement Fund, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Long Beach, California, as of September 30, 2006 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, the Housing Development Fund, and the Community Development Grants Fund for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 28, 2007 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 21 and the schedule of the City's pension plans funding progress on pages 125 and 126 are not a required part of the basic financial statements, but are supplementary information required by the U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information identified in the table of contents as the introductory section, the additional financial information section, and the statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining and individual fund statements and schedules in the additional financial information section have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

Los Angeles, California
June 28, 2007

Management's Discussion and Analysis

As management of the City of Long Beach (the City), we present to readers of the City's basic financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2006. We encourage readers to consider this information in conjunction with additional information included in our letter of transmittal.

Financial Highlights

Government-wide Basis:

- The restricted and unrestricted assets of the City exceeded its liabilities as of September 30, 2006 by \$3.4 billion (*net assets*). Of this amount, \$627.1 million may be used to meet the government's ongoing General Fund, grant, capital project and business-type activity obligations to citizens and creditors; however, expenditure restrictions apply to the grant funds and much of the Business-type and capital project funds.
- The City's total net assets, including all funds, increased by \$316.3 million, reflecting a \$172.4 million increase in net assets for Business-type activities and a \$143.8 million increase in net assets for Governmental activities.
- The City's total net long-term liabilities, including such items as bonds, notes and leases payable, accrued self-insured claims and retiree benefits, decreased by \$158.7 million or 5.6 percent during the fiscal year. Tax allocation bonds totaling \$35.0 million were issued to support redevelopment activities in the Downtown and North Long Beach project areas. The City also issued \$50.8 million in debt to refund the 1999 Rainbow Harbor Lease Revenue bonds and the 1997 Aquarium Parking Structure Certificates of Participation. Accrued self-insured claims decreased by a net \$29.3 million or 21.9 percent due to legislative and programmatic reforms that are reducing Worker's Compensation costs considerably. These decreases were slightly offset by a \$1.0 million increase in retiree health care. The City also entered into \$11.0 million in new capital leases for computers, fire trucks, a fireboat and other equipment. Of this amount, \$8.1 million supports public safety activities within the police and fire departments.

Fund Basis:

- As of September 30, 2006, unreserved fund balance for the General Fund was \$35.5 million, or 10.0 percent of total General Fund expenditures. Designated General Fund reserves of \$34.4 million, coupled with a \$2.5 million general purpose reserve allowed by the City Charter and listed under undesignated comprise the Emergency Reserve. A long-term advance of \$8.2 million from the Subsidence Fund is also shown and resulted from State legislation and will be repaid over 20 years, interest free, beginning in 2007.
- As of September 30, 2006, the City's governmental funds reported an unreserved fund balance deficit of \$8.9 million. The governmental funds, excluding the General Fund, reported combined unreserved deficit fund balances of \$44.3 million. This consists of a \$148.8 million deficit in the Redevelopment Capital Projects Fund for long-term advances due to other funds and \$6.7 million in advances to special revenue funds, offset by \$111.1 million in fund balances designated for subsequent years' appropriations. The long-term advances will be repaid with future property tax increment and grant funds when received.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Long Beach's basic financial statements. The City's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements, including non-major fund financial statements and a statistical section.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents consolidated information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information on how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes or expenses pertaining to earned but unused employee vacation and sick leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues, such as grant revenue (*governmental activities*), from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Governmental activities of the City include legislative and legal, general government, public safety, public health, community and recreational, public works and City oil operations. Business-type activities include those related to gas, water and sewer utilities, airport and solid waste management operations, towing, tidelands, marina and Rainbow Harbor area operations, as well as tidelands oil revenue operations and the Port of Long Beach.

The government-wide financial statements include not only the City of Long Beach itself (known as the *primary government*), but also a legally separate transportation company for which the City of Long Beach is the sole shareholder and, therefore, has authority to affect the company. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. Also included in the governmental activities of the government-wide financial statements are the Housing Authority of the City of Long Beach, the Long Beach Housing Development Company, the Redevelopment Agency of the City of Long Beach, the Long Beach Financing Authority and a portion of the Long Beach Bond Finance Authority.

The business-type activities portion of the government-wide financial statements also includes the Southeast Resource Recovery Facility, a portion of the Long Beach Bond Finance Authority, the Long Beach Capital Improvement Corporation and the Parking

Authority of the City of Long Beach. Although legally separate from the City, these component units are blended with the primary government because of their close governance by, or financial relationships with the City.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds of the City are divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financial resources.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations are provided for both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, to facilitate a comparison between *governmental funds* and *governmental activities*.

The City maintains numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Housing Development Fund, Community Development Grants Fund, General Capital Projects Fund, and the Redevelopment Capital Projects Fund, each considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements*, located in the Additional Financial Information section of this report.

The City adopts an annual appropriated budget for its funds. A budgetary comparison is provided for each of the City's governmental funds to demonstrate compliance with their budgets. The budgetary comparison statements for the major governmental funds are located in the basic financial statements, while the statements for the non-major governmental funds and capital projects are included in the Additional Financial Information section of this report.

Proprietary funds are generally used to account for operations that provide services to the general public on a continuing basis or to internal City departments. Proprietary funds provide the same type of information contained in the business-type activities portion of the government-wide financial statements, only in more detail. The City maintains two different types of proprietary funds, enterprise and internal service.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the gas and water utilities, solid waste management operations, tidelands operations, tideland oil revenue operations and the port, all of which are classified as major funds. The City also reports enterprise operations for the sewer utility, airport, towing operation and land subsidence fund as non-major enterprise funds shown in the Additional Financial Information section of this report.

Internal Service funds are accounts used to accumulate and allocate certain support costs internally among the City's various functions. The City uses internal service funds to account for: the operation and financing of the Civic Center complex; information technology assets and services, lease-purchase of equipment, and reprographics equipment and services; the operation, maintenance and replacement of the City's vehicle fleet and related facilities; the City's risk management and self-insurance programs, including workers compensation and general liability; and, compensated absences, payroll taxes, health and retirement benefits.

Because these services predominantly benefit governmental rather than business-type functions, they are incorporated into *governmental activities* in the government-wide financial statements. Internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* in the Additional Financial Information section of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds include Private Purpose Trust Funds such as the Miller Library Fund and the Mayor's Fund for the Homeless, and Agency Funds such as special parking and business assessment districts. Fiduciary funds are *not* reflected in the accompanying government-wide financial statements because the resources of those funds are *not* available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statements can be found in the Basic Financial Statements section of this report.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information and narrative disclosures that are essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the Basic Financial Statements and accompanying Notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to above in connection with non-major governmental funds and internal service funds are presented in the Additional Financial Information Section, along with information regarding capital assets.

Government-Wide Financial Analysis

Since fiscal year 2002, the City has presented its financial statements using the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments. Two years of financial information in the GASB 34 format are presented.

Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of changes in a government's financial position. In the City of Long Beach, assets exceeded liabilities by \$3.4 billion at the close of fiscal year 2006, up \$316.3 million from fiscal year 2005.

Net Assets September 30, 2006 and 2005 (In Thousands)						
	Governmental Activities		Business-type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Assets:						
Current and Other Assets	\$ 822,871	\$ 846,693	\$ 1,782,113	\$ 1,691,471	\$ 2,604,984	\$ 2,538,164
Capital Assets	721,567	626,055	3,061,704	3,075,556	3,783,271	3,701,611
Total Assets	<u>1,544,438</u>	<u>1,472,748</u>	<u>4,843,817</u>	<u>4,767,027</u>	<u>6,388,255</u>	<u>6,239,775</u>
Liabilities:						
Current Liabilities	169,520	188,429	225,443	272,007	394,963	460,436
Noncurrent Liabilities, Net	775,974	829,212	1,788,993	1,838,068	2,564,967	2,667,280
Total Liabilities	<u>945,494</u>	<u>1,017,641</u>	<u>2,014,436</u>	<u>2,110,075</u>	<u>2,959,930</u>	<u>3,127,716</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	209,230	99,122	1,572,117	1,564,750	1,781,347	1,663,872
Restricted	496,094	474,313	523,769	505,875	1,019,863	980,188
Unrestricted (Deficit)	<u>(106,380)</u>	<u>(118,328)</u>	<u>733,495</u>	<u>586,327</u>	<u>627,115</u>	<u>467,999</u>
Total Net Assets	<u>\$ 598,944</u>	<u>\$ 455,107</u>	<u>\$ 2,829,381</u>	<u>\$ 2,656,952</u>	<u>\$ 3,428,325</u>	<u>\$ 3,112,059</u>

The largest portion of the City's net assets (52.0 percent) reflects its investment of \$1.8 billion in capital assets (for example, land, buildings, infrastructure, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to fund these liabilities.

An additional portion of the City's net assets, \$1.0 billion (29.7 percent) represent resources that are subject to external restrictions on how they may be used. The restricted assets consist of 19.3 percent for debt repayment, 22.6 percent for capital projects, and 7.3 percent for grant funds with the balance related to various City special revenue and permanent funds, and a commitment by the Port of Long Beach's Harbor Fund for the Alameda Corridor. The remaining balance of *unrestricted net assets* in all City funds of

\$627.1 million may be used to meet the government's ongoing obligations to citizens and creditors; however, specific expenditure restrictions apply to the grant funds, and much of the business-type and capital project funds.

As of September 30, 2006, the City is able to report positive balances in all three categories of net assets, for the government as a whole and for business-type activities. The governmental activities unrestricted net assets deficit in the amount of \$106.4 million is mainly due to deficits in the Internal Service Funds and in the Housing Authority Fund (See Note 15 in the accompanying notes to the basic financial statements). The deficit decreased from fiscal year 2005 by \$11.9 million from the comparable deficit of \$118.3 million mainly due to decreases in amounts required to fund outstanding debt service obligations and complete approved capital projects.

Analysis of Changes in Net Assets

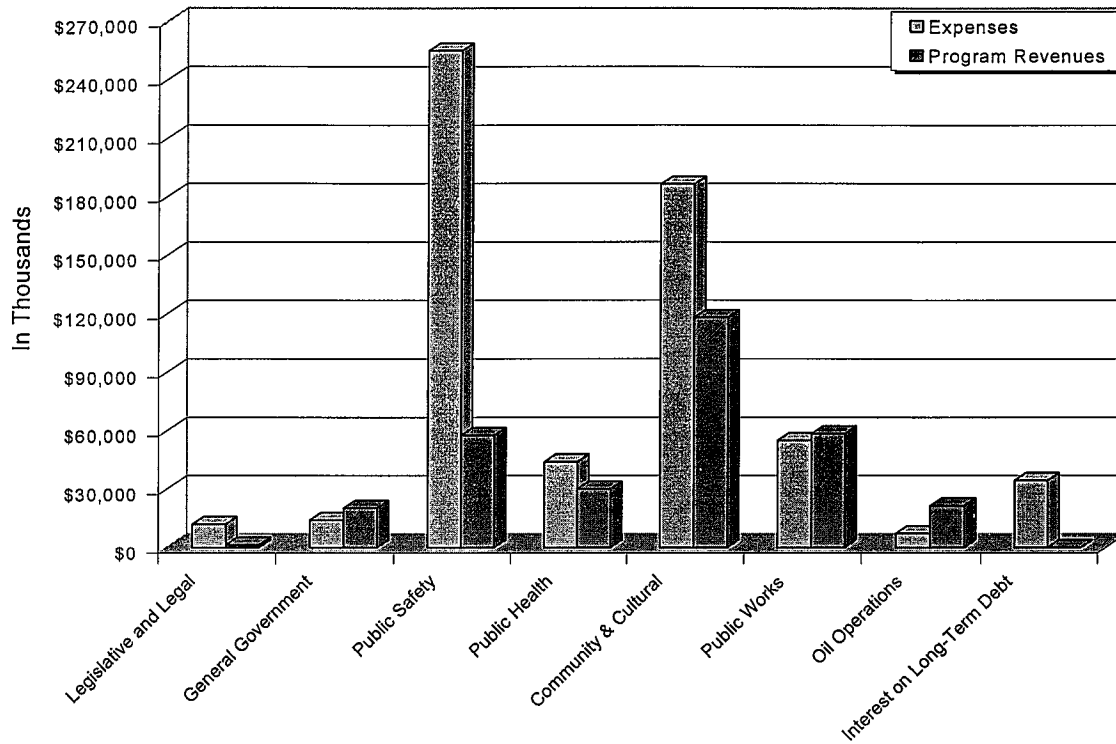
The City's net assets increased \$316.3 million in the fiscal year ended September 30, 2006. The increase is mainly due to operations in the business-type funds including the Harbor Fund for \$154.0 million, contributions of easements and public rights-of-way in governmental activities for \$80 million and other changes explained in the governmental and business-type activities discussions below.

Changes in Net Assets September 30, 2006 and 2005 (In Thousands)

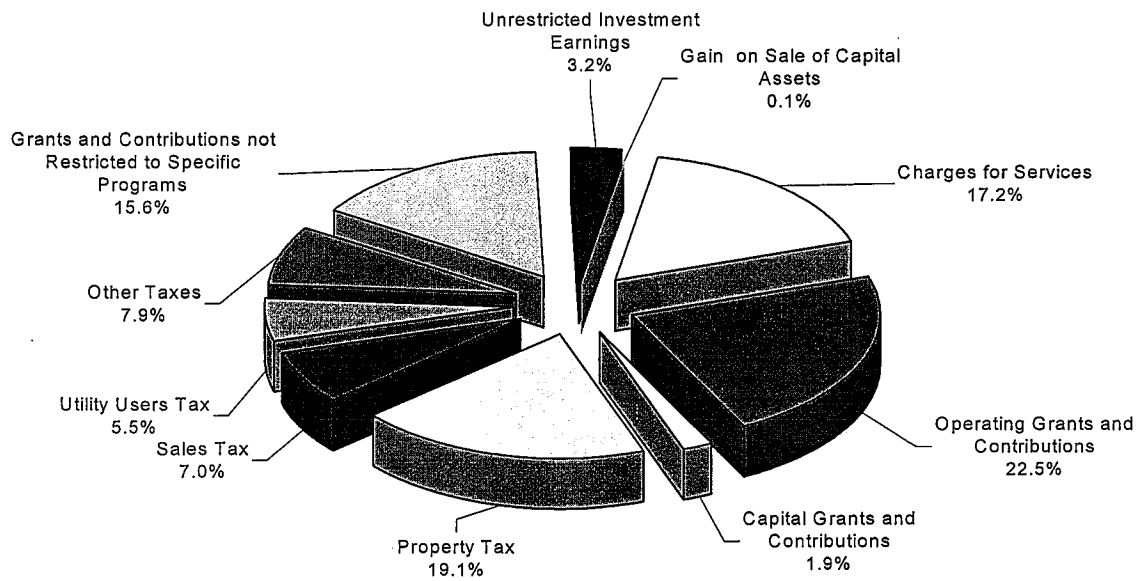
	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
Revenues:				
Program Revenues:				
Charges for Services	\$ 127,301	\$ 132,492	\$ 1,000,573	\$ 888,954
Operating Grants and Contributions	166,426	142,011	1,184	2,520
Capital Grants and Contributions	13,726	11,489	8,947	25,787
General Revenues:				
Taxes:				
Property	141,335	123,924	-	-
Sales	51,557	48,216	-	-
Utility Users	40,637	39,216	-	-
Other	58,291	51,238	-	-
Grants and Contributions Not Restricted to Specific Programs	115,668	39,205	-	-
Unrestricted Investment Earnings	23,520	16,213	42,021	27,599
Gain (Loss) on Sale of Capital Assets	806	810	(2,041)	(665)
Total Revenues	<u>739,267</u>	<u>604,814</u>	<u>1,050,684</u>	<u>944,195</u>
Expenses:				
Legislative and Legal	12,003	10,313	-	-
General Government	13,988	25,808	-	-
Public Safety	255,188	280,415	-	-
Public Health	44,024	43,874	-	-
Community & Cultural	186,528	177,210	-	-
Public Works	55,009	58,783	-	-
Oil Operations	7,192	6,367	-	-
Interest on Long-Term Debt	34,554	30,831	-	-
Gas	-	-	99,656	89,463
Water	-	-	62,480	62,075
Sewer	-	-	7,612	7,337
Airport	-	-	24,816	22,465
Solid Waste Management	-	-	73,679	70,493
Towing	-	-	8,520	6,858
Tidelands	-	-	105,671	94,033
Tideland Oil Revenue	-	-	264,355	188,250
Subsidence	-	-	4,061	4,054
Harbor	-	-	214,349	207,689
Total Expenses	<u>608,486</u>	<u>633,601</u>	<u>865,199</u>	<u>752,717</u>
Increase (Decrease) in Net Assets before Transfers	<u>130,781</u>	<u>(28,787)</u>	<u>185,485</u>	<u>191,478</u>
Capital Assets Transfers	-	-	-	19
Transfers	<u>13,056</u>	<u>14,314</u>	<u>(13,056)</u>	<u>(14,314)</u>
Change in Net Assets	<u>143,837</u>	<u>(14,473)</u>	<u>172,429</u>	<u>177,183</u>
Net Assets - October 1	<u>455,107</u>	<u>469,580</u>	<u>2,656,952</u>	<u>2,479,769</u>
Net Assets - September 30	<u>\$ 598,944</u>	<u>\$ 455,107</u>	<u>\$ 2,829,381</u>	<u>\$ 2,656,952</u>

Governmental Activities Year Ended September 30, 2006

Program Expenses and Revenues -Governmental Activities



Revenues By Source - Governmental Activities Year Ended September 30, 2006



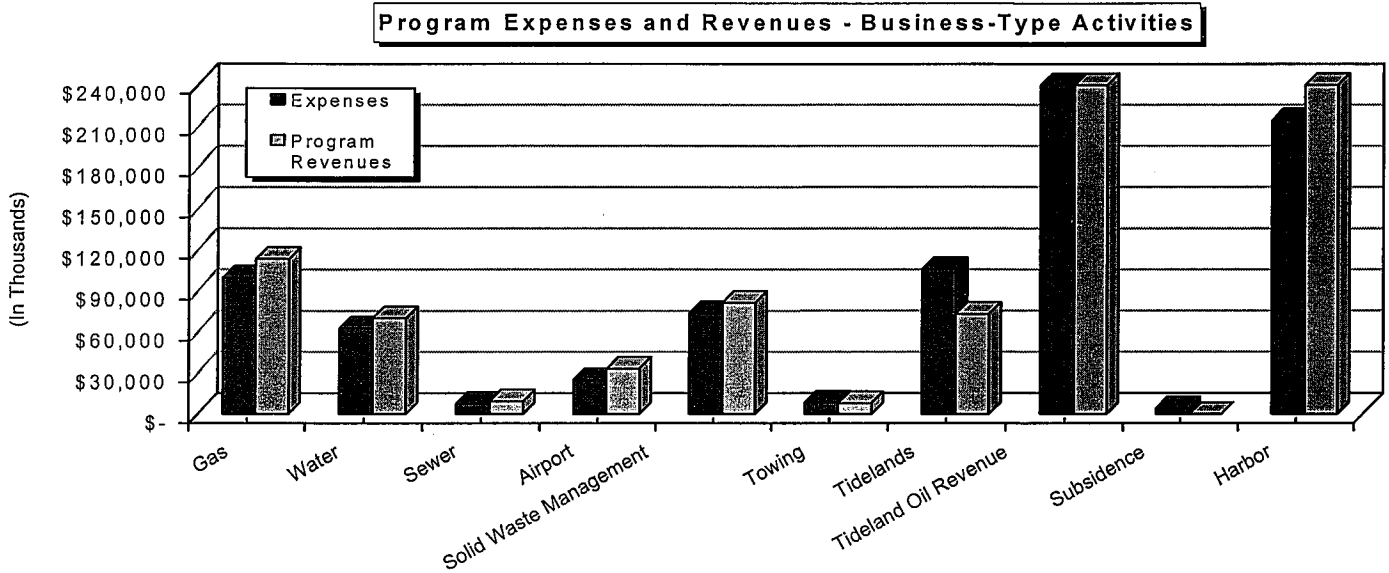
Governmental activities. The charts on the previous page illustrate program expenses and revenues by function, and revenues by source. Public Safety is the largest function at 41.9 percent of total governmental expense, followed by Community and Cultural at 30.6 percent, Public Works at 9.0 percent and Public Health at 7.2 percent. Property, sales and other taxes are general revenues used to support overall government functions; therefore, these are not shown as program revenues. Operating grants and contributions comprise 22.5 percent, charges for services 17.2 percent and property tax 19.1 percent of revenues.

Governmental activities increased the City's net assets by \$143.8 million; however, \$80 million of that increase, or 55.6 percent, is directly related to increases in grants and contributions not restricted to specific programs, in particular, land contributions comprised of easements and rights-of-way. The City's total revenues increased from fiscal year 2005 by \$134.5 million, or 22.2 percent including these land contributions and by \$58.0 million, or 10.3 percent excluding those items. Most notably, the City's expenses decreased for the first time since 2002, by \$25.1 million, or 4.0 percent. Key factors include the following:

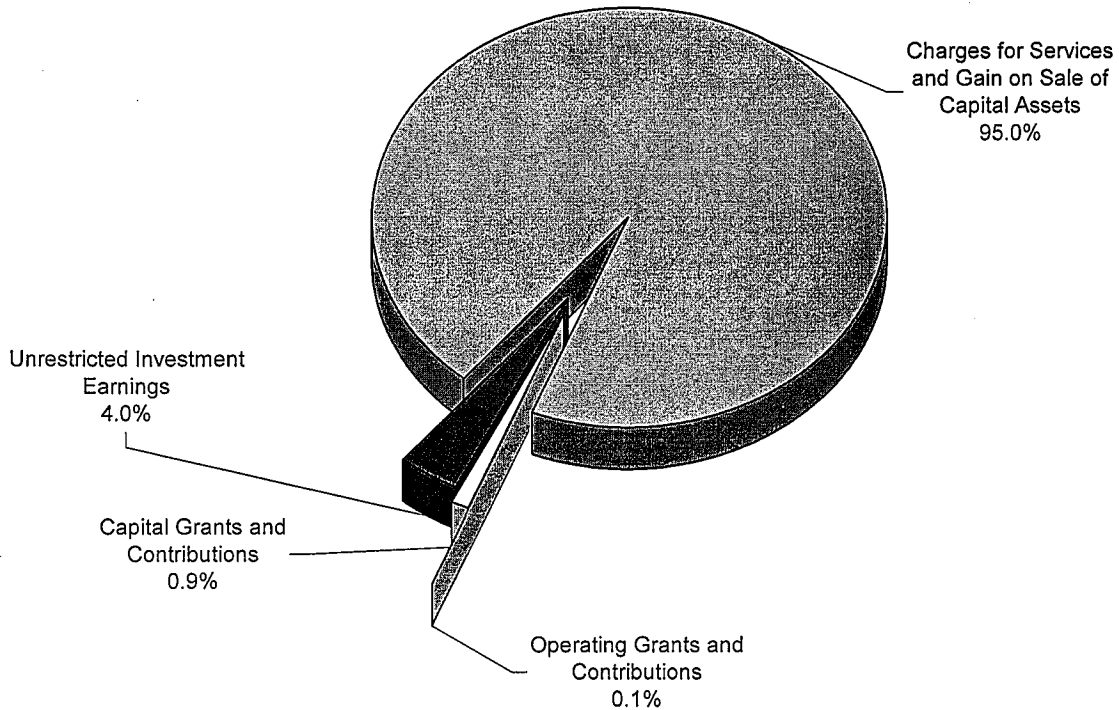
- Property tax, including Redevelopment Property Tax Increment, increased \$17.4 million or 14.0 percent primarily due to property assessed value increases from an extended albeit stabilizing real estate boom, along with long-term leases of newly constructed property in the Port that accrues to the Redevelopment Agency. The redevelopment project areas growth in assessed property values resulted in a 22.2 percent increase in property tax increment revenue, or \$12.4 million. In addition, General Fund property tax revenue increased slightly by \$1.1 million, or 1.8 percent. The remaining \$3.1 million increase in property tax revenue occurred within the Housing Development Fund.
- Sales tax revenue increased by \$3.3 million or 6.9 percent, due to a continued improved economy, higher wages and increased spending in the Greater Long Beach area.
- Utility users tax increased for the first time in five consecutive years, by \$1.4 million or 3.6 percent. October 1, 2005 represented the final date of a voter-mandated decrease in the tax rate that decreased the tax by one percent annually starting on October 1, 2000, reducing the rate from ten to five percent. It is expected this revenue source will stabilize now that the five-year rate cut has been fully implemented.
- Other tax revenue increased \$7.1 million or 13.8 percent and is primarily composed of pipeline fees, transient occupancy taxes, business license taxes and real estate property transfer tax revenue. Transient occupancy taxes increased due to increased hotel occupancy and room rates in fiscal year 2006, business license taxes increased partially due to the discontinuation of a 15 percent business license discount early-pay incentive program which ended early in fiscal year 2005, and increased real estate property transfer taxes attributed to an extended albeit stabilizing real estate boom.
- Charges for services reflect a net decrease of \$5.2 million or 3.9 percent reflecting:
 - General Government charges for services decreased by \$7.1 million or 26 percent largely due to utility customer service, billing, payments processing and collection activities being moved from the General fund to the Gas Fund to eliminate double budgeting and more closely align expenditures to the services they support.

- Public Safety charges for services decreased \$3.1 million, or 7.7 percent largely as a result of shifting all expenses and associated revenues for fire department services provided in the Harbor and Tidelands areas to the Tidelands Fund.
- Public Health charges for services decreased by \$1.0 million or 13.1 percent for the transfer of forensic nurse and detention facility health care to the Police Department.
- Public Works charges for services increased \$1.0 million or 5.7 percent primarily due to an increased surcharge at the Liquefied Natural Gas (LNG) fueling station, increased towing and parking fees, and other rate increases.
- Oil Operation revenue in the City's Uplands oil extraction area increased by \$4.2 million or 24.5 percent due to increased oil prices.
- Operating grants and contributions increased by \$24.4 million or 17.2 percent reflecting:
 - Public safety operating grants and contributions increased significantly by \$8.1 million or 62.9 percent primarily due to increased Federal funding for Homeland Security activities within the Police and Fire Departments.
 - Public health operating grants increased by \$2.7 million due to increased grant funding for various public health services.
 - Community and cultural operating grants and contributions increased by \$11.9 million or 14.4 percent primarily due to increased Federal Housing and Urban Development Section 8 vouchers for low-income housing assistance.
- Governmental activities expenses decreased in fiscal year 2006, for the first time since fiscal year 2002. The annual decrease in expenses of \$25.1 million, or 4.0 percent, results mostly from ongoing efforts to reduce the City's structural deficit and appropriately reallocate costs to internal service funds. Details include:
 - Public safety costs decreased \$25.2 million, which included \$17.9 million in decreased costs in the Police Department and \$9.9 million in the Fire Department directly related to reductions in worker's compensation costs.
 - General Government costs decreased \$11.8 million primarily due to the reallocation of \$8.0 million in utility billing costs to the enterprise utility directly and \$3.4 million in health care costs transferred to the Employee Benefits Internal Services Fund.
 - Community and cultural costs increased by \$9.3 million, reflecting a \$10.9 million increase in Community Development spending primarily for Redevelopment activities and a slight \$0.1 million increase in Planning and Building activities, offset by a \$1.8 million reduction in Library and Parks and Recreation services.
 - Public works expenses for governmental activities decreased \$3.8 million, due to a slight shift in public works activities in enterprise operations, such as the airport.
 - The increase of \$3.7 million in interest on long-term debt is related to the issuance of \$35.0 million in new bonds for redevelopment agency projects in the Downtown and North Long Beach Project areas.

Business-Type Activities **Year Ended September 30, 2006**



Revenue by Source - Business-type Activities **Year Ended September 30, 2006**



Business-type activities. The business-type activities charts on the previous page illustrate program expenses and revenues, and revenues by source. The Port of Long Beach is the largest business-type operation, followed by the tidelands and utilities. The utilities and the Port of Long Beach are mainly funded by fees for services provided, while the Tidelands is funded by fees along with approved transfers from the Port of Long Beach's Harbor Fund, Tideland Oil Revenue Fund, and one-half of the transient occupancy tax generated in the Downtown Redevelopment Agency project area.

Business-type activities increased the City's overall net assets by \$172.4 million, essentially accounting for 54.5 percent of the total growth in net assets. The fiscal year 2006 increase in business-type net assets was slightly less than the increase in fiscal year 2005 of \$177.2 million. Key elements of the increase in fiscal year 2006 are:

- The Port of Long Beach's net assets, which are included in the City's Harbor Fund, increased by \$154.0 million. This increase was due to net income from operations of \$192.3 million and capital grant revenue of \$2.3 million that was offset by net non-operating expenses of \$26.4 million and a transfer out of \$14.2 million to the Tidelands Fund. The net non-operating expenses were mainly the result of \$54.1 million of interest expense, offset by interest earnings of \$28.3 million and other minor income of \$0.8 million. The Port's operating income increased \$11.9 million, or 6.6 percent from last year, and is attributed to a 7.0 percent increase in containerized cargo volume.
- The Tidelands Fund's net assets increased by \$7.5 million; the net result of operating transfers of \$37.6 million offset by a combined operating and non-operating loss of \$30.1 million. Operating revenue increased by \$18.6 million mostly for increases in charges for services, while operating expenses increased by \$24.1 million primarily for increases related to personal services and maintenance costs at beaches and marinas.
- Tidelands Oil Revenue Fund net assets decreased by \$15.7 million due mostly to an operating transfer out to the Tidelands fund under a revenue sharing agreement for the optimized water flood program.
- Water Fund net assets increased \$7.0 million from net operating income of \$5.1 million and capital contributions of \$2.6 million offset by a minor non-operating expense of \$0.7 million. Operating revenue increased \$2.9 million from an increase in demand and a rate adjustment. Operating expenses increased by \$5.4 million due mostly to increased water purchases.
- Gas Fund net assets decreased \$4.1 million due to \$7.5 million from operating income, \$5.4 million in net non-operating income, less \$17.0 million in operating transfers to the General Fund. Operating income decreased by \$4.4 million from the prior year; the net result of an annual increase in operating expenses of \$12.9 million offset by increased annual revenue of \$8.5 million. Operating expenses increased by 14.8 percent due to increases in gas prices, a new contract with Coral Energy and the decision to direct charge the Gas Fund for utility related billing costs.
- The \$11.1 million increase in non-major business-type activities net assets include the Airport Fund net assets increase of \$8.6 million primarily due to grants for runway, infrastructure improvements and security projects. The other enterprise funds reflected minimal changes in operations.

Government Funds Financial Analysis

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At September 30, 2006, the City's governmental funds reported a combined ending fund balance of \$461.2 million, a net increase of \$12.4 million over the prior year. This change is primarily the result of increases in the fund balances of the housing development, community development grants, redevelopment capital projects, and other governmental funds. Governmental funds assets decreased slightly by \$9.8 million or 1.2 percent, due to decreases in non-pooled cash and cash equivalents and in amounts due from other funds.

Of the total fund balance, the net unreserved fund balance is an \$8.9 million deficit. Advances from the General Fund to the Redevelopment Fund comprise most of the deficit, and will be repaid from future property tax increment revenue. The unreserved General Fund ending fund balance at September 30, 2006 totaled a net \$35.5 million representing Emergency Reserves of \$36.9 million and a reserve for subsequent years' appropriations of \$6.7 million, offset by long-term advances of \$8.1 million from the Subsidence Fund. All of the other governmental funds reported an aggregate unreserved fund balance of \$55.9 million, with the exception of the Redevelopment Capital Projects Fund reporting a net unreserved fund balance deficit of \$100.2 million for redevelopment capital projects.

The *reserved* fund balance classification indicates funds committed for: (a) long-term advances to other funds (\$132.0 million) that are not available to spend; (b) reserves for land held for resale (\$118.8 million) that are not available to spend; (c) asset seizure funds restricted by law (\$2.5 million); (d) commitments for contracts and purchase orders (\$16.6 million); (e) City Charter requirements to maintain a \$1.5 million cash balance reserve; (f) future capital projects and special programs (\$140.6 million); (g) required bond reserves to pay debt service (\$54.5 million); and (h) other restricted purposes including a reserve for estimated oil field abandonment costs and housing development (\$3.5 million).

Since the implementation of GASB 34 in 2002, long-term advances due from other funds have been recorded as fund balance reserved for non-current receivables. The long-term advances due from other funds (e.g. loan to the Redevelopment Agency) have no specified repayment date; therefore, the General Fund reserved fund balance in the amount of \$100.9 million is not available. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. The total unreserved fund balance of \$35.5 million, including emergency reserves of \$36.9 million, represents 9.9 percent of total General Fund expenditures of \$359.6 million.

The General Fund's fund balance decreased by \$2.8 million during fiscal year 2006. This compares to an \$11.3 million increase in fiscal year 2005. Factors affecting the fiscal year 2006 decrease include the following:

- Other financing sources decreased by \$2.6 million primarily due to a reduction in transfers in from other funds.
- Charges for services revenue decreased \$17.6 million due to the decision to direct charge expenses and revenues associated with certain enterprise and internal services operations to those funds.
- Revenue from other agencies decreased by a net \$3.0 million due to the transfer of Proposition 172 revenue to the General Grants Fund and a decrease in Property Tax in-lieu-of Vehicle License Fee revenue.

It is also important to note that in fiscal year 2006 General Fund expenditures decreased by \$13.9 million or 3.7 percent reflecting the fourth year of the City's Financial Strategic Plan to reduce the City's structural deficit.

Enterprise Funds

The Enterprise Funds' total net assets at September 30, 2006 totaled \$2.8 billion. Total unrestricted net assets amounted to \$748.2 million, before the Internal Service Fund activities allocation. The total growth in net assets was \$152.8 million after the Internal Service Fund activities allocation to Enterprise Funds. Other factors affecting the finances of these funds are addressed in the discussion of the City's business-type activities.

The Tidelands, Tideland Oil Revenue and Harbor Funds reported unrestricted net assets of \$21.6 million, \$42.2 million and \$584.8 million, respectively. The Gas, Water and Solid Waste Management funds reported unrestricted net assets of \$9.7 million, \$10.9 million and \$57.5 million, respectively. The Solid Waste Management Fund reported a deficit investment in Capital Assets net of Related Debt due to the 1995 refunding bond issue that extended the original repayment terms for the debt. The 1995 Series was refunded again in 2004 without extending debt service payments from that of the 1995 bond issue. Other business-type funds reported unrestricted net assets of \$21.5 million.

Internal Service Funds

The Internal Service funds, which are used to finance and account for goods and services provided internally among City departments, had a deficit in unrestricted net assets of \$123.7 million. This deficit is in the Insurance and Employee Benefit Internal Service funds, which have always been accounted for on a pay-as-you-go basis and therefore are not fully funded for long-term liabilities. City management believes the cash position of each fund is sufficient to cover the current costs related to health insurance, worker's compensation, and general liability claims and operating costs. The City's Management intends to adjust billings to City departments as needed to ensure that adequate cash positions are maintained. This reflects a \$15.9 million decrease in the unrestricted fund balance deficit from 2005 and is primarily due to a decrease in non-current liabilities for bonds payable and accrued self-insured claims.

Fiduciary Funds

The City maintains fiduciary funds for the assets of private purpose trust and agency funds including the Miller Trust Fund, the Mayor's Fund for the Homeless and various agency funds held by the City as an agent for individuals, private organizations and other governmental units. The private purpose trust funds are held in trust for the benefit of the Main Library Miller room staffing and books, and for homeless services expenditures, with net assets of \$867,000 and \$76,000, respectively. In fiscal year 2006, agency funds recorded the receipt, temporary investment and remittance of \$27.4 million in resources for the Belmont Shore Parking, Taxes Oil Rights, Special Assessment District, Intermodal Container Transfer Facility, Earthquake Assessment District and other agency funds.

Budgetary Highlights

The City adopts an annual budget for the governmental funds that includes the General Fund, Capital Projects and Special Revenue Funds. The City Council adopts budget adjustments during the year that are generally contingent upon new or additional revenue.

General Fund

General Fund final appropriations for revenues and expenditures reflected a net reduction from the original adopted budget of \$2.0 million at September 30, 2006. This was primarily the result of a \$2.3 million decrease in expenditures primarily in general government, public health, community and cultural and public works expenditures, offset by a \$0.3 million increase in General Fund revenue.

The General Fund reflects a net positive ending fund balance variance of \$1.4 million on a budgetary basis, which consists of slight favorable variances in revenue, expenditures and other financing sources of \$0.3 million, \$0.8 million and \$0.3 million, respectively.

General fund actual revenues were over budget slightly by \$0.3 million on a budgetary basis. Property tax was slightly less than budgeted by \$1.7 million. Sales tax actual revenue was \$1.4 million more than the final projection of \$47.7 million, primarily due to an improving economy and an increase in taxable sales. Actual Utility Users Tax revenue came in virtually as projected at \$40.7 million. License and permit revenue exceeded budget by \$2.8 million due to scheduled Citywide fee increases aimed at fully recouping the actual cost of providing City services (including business licenses, building permits and plan check fees to name a few). Use of money and property actual revenue was \$4.3 million lower than expected due to an unanticipated delay in the sale of certain city-owned properties. Revenue from other agencies is \$7.8 million more than projected due to the decision to record sales tax in lieu in this category, increases in Motor Vehicle License Fees and increased reimbursements from miscellaneous grants. Other tax revenue of \$44.6 million was \$1.7 million below the anticipated revenue of \$46.3 million.

Capital Asset and Debt Administration

Capital assets

The City's investment in capital assets for its governmental and business-type activities for the current fiscal year amounts to \$3.8 billion, net of accumulated depreciation. This is an

increase of \$81.7 million over fiscal year 2005 primarily due to the recording of the governmental funds rights-of-way totaling \$78.5 million. This investment in capital assets includes land, rights-of-way and easements, buildings, improvements, machinery and equipment, parks, roads, curbs, gutters, sidewalks, alleys and bridges.

Other major changes in capital projects in progress and capital assets include:

- The Harbor Fund capital assets decreased \$16.8 million due to the transfer of accumulated costs from the construction in progress account to expense and to fixed assets, net of depreciation.
- The Airport Fund increase of \$7.0 million is due to completion of taxiway improvements totaling \$3 million and SACS 2004 upgrades of \$4 million.
- The Water Fund capital assets increased \$6.3 million due to the completion of a conjunctive water well project.
- Gas Fund capital assets increased by \$6.5 million due to the repair or rehabilitation of gas main pipelines.
- Governmental activities Construction in Progress increased by \$20.1 million for the rehabilitation of the Shoreline Village and Downtown Marinas for a total of \$16.0 million and the construction of the Mark Twain Library for \$4.0 million.
- The governmental activities automobile fleet increased \$2.1 million mostly due to purchases of fire trucks and other equipment for the Fire Department.
- Total infrastructure assets increased slightly by \$0.5 million.

Additional information on the City's capital assets can be found in Note 7 to the basic financial statements.

Capital Assets, Net of Depreciation
September 30, 2006 and 2005
(In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Land	\$ 115,922	\$ 116,026	\$ 910,632	\$ 898,540	\$ 1,026,554	\$ 1,014,566
Rights-of-way	81,311	2,806	209,671	207,823	290,982	210,629
Construction In Progress	96,824	76,710	218,724	188,092	315,548	264,802
Buildings	168,428	171,072	1,125,898	1,200,100	1,294,326	1,371,172
Improvements other than Buildings	35,908	34,817	159,728	146,449	195,636	181,266
Infrastructure	162,768	163,636	425,551	424,193	588,319	587,829
Machinery and Equipment	17,805	19,115	5,975	5,434	23,780	24,549
Automotive	38,342	36,194	5,525	4,925	43,867	41,119
Other Assets	4,259	5,679	-	-	4,259	5,679
Total Net Capital Assets (net)	<u>\$ 721,567</u>	<u>\$ 626,055</u>	<u>\$ 3,061,704</u>	<u>\$ 3,075,556</u>	<u>\$ 3,783,271</u>	<u>\$ 3,701,611</u>

Long-Term Indebtedness

At the end of fiscal year 2006, the City had total net long-term obligations outstanding of \$2.7 billion. Of this amount, \$1.8 billion relates to revenue bonds, certificates of participation, notes payable, capital leases, accrued oil field abandonment costs and other obligations of the City's business enterprises. The remaining balance of \$821.8 million relates to revenue bonds, tax allocation bonds, notes payable, capital leases, self-insurance, employee benefit obligations and other obligations of the governmental funds.

The City's net debt outstanding decreased by \$158.7 million by September 30, 2006 (Note 8). A total of \$85.8 million in new debt was issued in fiscal year 2006 including \$35.0 million in tax allocation bonds to support redevelopment activities in the Downtown and North Long Beach project areas, and \$50.8 million for the refinancing of the Rainbow Harbor Bonds. The City also entered into \$11.0 million in capital leases for mobile data terminals for the police department, equipment for the Fire Department including two ladder trucks, ten pumper trucks and a life saving boat, computer purchases, and the installation of a surface membrane to the convention center roof.

Additional information on the City of Long Beach's long-term debt can be found in Notes 8 through 11 of the basic financial statements.

Economic Factors and Next Year's Budget and Rates

The unemployment rate for the City of Long Beach is currently 4.6 percent, reflecting a decrease from a rate of 6.1 percent a year ago. This compares favorably to the State of California's unemployment rate of 4.9 percent, while matching the national average rate of 4.6 percent.

Fiscal year 2007 represents the fourth and final year of the Financial Strategic Plan (Plan) to eliminate the City's General Fund structural deficit. The City Council's Financial Policies addressing such key issues as the use of one-time resources, debt guidelines, structurally balanced budgets, financial reporting and reserve designations, create the foundation for the annual budget development process. Highlights of the fiscal year 2007 budget follow.

The Fiscal year 2007 adopted General Fund revenue budget of \$376.4 million reflects a projected net increase of \$18.1 million or 5.0 percent from fiscal year 2006. The four largest structural revenue sources for fiscal year 2007 - property tax, sales and use tax, motor vehicle in lieu (MVLF) and utility users tax - comprise 53 percent of total General Fund revenues. Below is a closer look at these four key General Fund resources:

- Property Tax revenue of \$65.6 million reflects an increase of \$9.4 million due to a continued albeit stabilizing growth in assessed valuations;
- Sales and Use Tax revenue of \$55.0 million reflects a \$3.6 million increase due to slower growth in discretionary spending offset by anticipated increases in the price of consumer products due to higher transportation and construction costs;
- Vehicle License Fee revenue of \$37.2 million reflects a total increase of \$7.3 million largely due to the last \$5 million contribution to the State in fiscal year 2006 for the Governor's support of Proposition 1A; and

- Utility Users Tax revenue of \$43.2 million reflects a slight increase of \$1.9 million due to mostly minor electric utility rate increases.

In addition, the City continues to evaluate its fees for services to ensure fees collected fully support the costs of providing City services. To that end, on July 11, 2006 the City Council adopted and amended its financial policy on user fees and charges to demand full cost recovery except where a greater public benefit is demonstrated to the satisfaction of the Council. As a result, the City expects to recoup an additional \$5.5 million citywide in fees for service, of which approximately \$1.4 million relates to the General Fund.

The fiscal year 2007 adopted General Fund operating budget of \$364.1 million increased by a net \$6.2 million from the final fiscal year 2006 budget, excluding transfers. This difference is primarily the result of negotiated employee salary increases, escalating insurance costs, and higher fuel and energy prices.

To address the final \$10 million structural deficit remaining in fiscal year 2007, the City utilized a multi-pronged approach budget savings through program optimizations; appropriately allocating General Fund costs to other funds where the services are actually provided; increasing cost recovery through new and adjusted fees; and savings generated by improvements in daily business practices. As promised to the City Council, no further library reductions are included in the fiscal year 2007 Budget. Specifically, the structural balance was achieved through the following:

- Budget savings of \$4.9 million through the optimization of certain programs including the City's reprographics services, helicopter maintenance and employee health benefits;
- Appropriately allocating General Fund costs totaling \$3.7 million to other funds where the services are actually provided, as follows:
 - Planning and Building functions were transferred to a new stand alone Development Services Special Revenue Fund, thereby eliminating the traditional General Fund subsidy for planning and building services;
 - Parks, Recreation and Marine administrative and management costs associated with Tidelands activities were transferred to the Tidelands Fund;
 - Community Development administrative costs were allocated across its operations and funds as appropriate; and
 - The full cost of Police and Fire services were directly allocated to the City's Enterprise Funds based on actual services provided and costs incurred.
- Increased cost recovery of \$1.4 million through new and adjusted fees.

The General Fund's expenditure budget also included enhancements in critical areas, many which are offset by additional revenue. Below are the more significant enhancements:

- A \$653,000 increase for the creation of a new Prisoner Transport Unit and a new Professional Standards Unit within the City's Police Department.
- A \$552,000 increase for materials, supplies and staffing at the new state-of-the-art MacArthur Park Library.
- A \$500,000 increase for a new tree trimming management and inventory system.
- Increased funding to enhance police patrols at the marinas, airport and parks for \$348,000.
- A \$300,000 increase for the maintenance and equipment needs of 10 new black and white police patrol cars.
- A \$239,400 increase for the enforcement of a new dog-breeding ordinance.
- A \$200,000 increase for surveillance cameras and crime monitoring on Pine Ave.
- A \$158,000 increase for a new Performance Management and Budgeting Division.
- A \$150,000 increase to expand community development programs citywide.
- Additional funding of \$59,000 for proposed neighborhood beautification programs.
- An additional \$24,000 to expand Fire Department Drill School training by two weeks.

Fiscal year 2007 represents the fourth year of the Financial Strategic Plan (Plan) to address the City's structural deficit, while maintaining its core municipal services. The Plan was designed to be fluid and assess targeted accomplishments, add new ideas reflective of shifting economic conditions, confirm validity of proposed reductions and make appropriate adjustments to ensure input from the City Council and the community. In the development process of the fiscal year 2007 budget, the City reached out to the community for ideas and input through a series of community meetings, including the July 9, 2006 budget summit, and dozens of neighborhood association, board, committee and commission meetings.

In addition, fiscal year 2007 marked the second consecutive year the City adopted a performance-based budget. The City's full-scale implementation of its Focus on Results (FOR) performance based management system has aligned the City's financial resources and operations with the City Council and community's priorities, improving the efficiency of City operations and increasing accountability at all levels of the organization.

Requests for Information

This financial report is designed to provide a general overview of the City of Long Beach's finances. Questions concerning any of the information should be addressed to the Department of Financial Management, 333 West Ocean Boulevard, 6th Floor, Long Beach, California 90802.

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City of Long Beach
Statement of Net Assets
September 30, 2006
(In Thousands)

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Long Beach Public Transpor- tation Company
	Activities	Activities		
ASSETS				
Current Assets:				
Pooled Cash and Cash Equivalents	\$ 285,692	\$ 702,062	\$ 987,754	\$ -
Non-Pooled Cash and Cash Equivalents	149,883	34	149,917	14,478
Non-Pooled Investments	-	603	603	-
Interest Receivable	2,632	576	3,208	-
Property Tax Receivable, Net	1,562	-	1,562	-
Accounts and Loans Receivables, Net	21,567	108,544	130,111	1,467
Due from Other Governments	47,099	6,709	53,808	-
Internal Balances	(4,453)	4,453	-	-
Inventory	1,737	4,102	5,839	941
Other Assets	23,752	-	23,752	180
Land Held for Resale	118,832	-	118,832	-
Restricted Assets:				
Pooled Cash and Cash Equivalents	7,326	431,547	438,873	-
Non-Pooled Cash and Cash Equivalents	12,357	43,006	55,363	19,036
Non-Pooled Investments	-	50,764	50,764	-
Accounts and Loans Receivables, Net	-	291	291	5,034
Interest Receivable	-	282	282	-
Deposits	6,858	-	6,858	-
Noncurrent Assets:				
Non-Pooled Investments	10,000	-	10,000	-
Other Noncurrent Receivables	66,294	14,049	80,343	-
Land and Other Capital Assets not being Depreciated	294,057	1,339,027	1,633,084	6,967
Capital Assets, net of Accumulated Depreciation	427,510	1,722,677	2,150,187	76,621
Other Assets	71,733	415,091	486,824	-
Total Assets	1,544,438	4,843,817	6,388,255	124,724
LIABILITIES				
Current Liabilities:				
Accounts Payable	31,415	93,734	125,149	1,652
Accrued Wages and Benefits Payable	43,329	8,229	51,558	489
Accrued Interest Payable	4,691	498	5,189	1,864
Deferred Revenue, Credits and Other Payables	34,025	31,341	65,366	12,067
Employee Benefits and Accrued Self-Insurance Claims	25,210	-	25,210	3,291
Bonds, Loans, Capital Leases and Other Long-Term Obligations	24,470	18,086	42,556	-
Liabilities Payable From Restricted Assets:				
Accounts Payable	-	65	65	-
Accrued Interest Payable	6,380	23,803	30,183	-
Deferred Revenue, Credits and Other Payables	-	-	-	17,360
Customers Deposits	-	2,554	2,554	-
Bonds and Other Long-Term Obligations	-	47,133	47,133	-
Noncurrent Liabilities:				
Deferred Revenue, Credits and Other Payables	3,883	11,872	15,755	-
Employee Benefits and Accrued Long-Term Obligations	185,132	343,100	528,232	808
Bonds, Loans, Capital Leases and Other Long-Term Obligations	586,959	1,434,021	2,020,980	-
Total Liabilities	945,494	2,014,436	2,959,930	37,531
NET ASSETS				
Invested in Capital Assets,				
Net of Related Debt	209,230	1,572,117	1,781,347	83,588
Restricted for:				
Asset Seizure Money	2,463	-	2,463	-
Debt Service	53,876	143,351	197,227	-
Capital Projects	170,059	59,974	230,033	113
Public Health	2,430	-	2,430	-
Community and Cultural	248,045	-	248,045	-
Health Care Insurance	14,125	-	14,125	-
Harbor Project Contingencies	-	162,603	162,603	-
Other Purposes	5,096	157,841	162,937	-
Unrestricted	(106,380)	733,495	627,115	3,492
Total Net Assets	\$ 598,944	\$ 2,829,381	\$ 3,428,325	\$ 87,193

The notes to the basic financial statements are an integral part of this statement.

City of Long Beach
Statement of Activities
For the Fiscal Year Ended September 30, 2006
(In Thousands)

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
Legislative and Legal	\$ 12,003	\$ 1,256	\$ 38	\$ -
General Government	13,988	20,174	27	-
Public Safety	255,188	36,694	21,016	-
Public Health	44,024	6,565	23,547	-
Community and Cultural	186,528	23,291	94,190	656
Public Works	55,009	17,840	27,608	13,070
Oil Operations	7,192	21,481	-	-
Interest on Long-Term Debt	34,554	-	-	-
Total Governmental Activities	<u>608,486</u>	<u>127,301</u>	<u>166,426</u>	<u>13,726</u>
Business-Type Activities:				
Gas	99,656	113,053	-	-
Water	62,480	67,198	-	2,634
Sewer	7,612	9,245	-	-
Airport	24,816	29,086	58	4,015
Solid Waste Management	73,679	80,015	1,126	-
Towing	8,520	7,846	-	-
Tidelands	105,671	73,013	-	-
Tideland Oil Revenue	264,355	266,992	-	-
Subsidence	4,061	-	-	-
Harbor	214,349	354,125	-	2,298
Total Business-Type Activities	<u>865,199</u>	<u>1,000,573</u>	<u>1,184</u>	<u>8,947</u>
Total Primary Government	<u>\$ 1,473,685</u>	<u>\$ 1,127,874</u>	<u>\$ 167,610</u>	<u>\$ 22,673</u>
Component Unit:				
Long Beach Public Transportation Company	<u>\$ 74,836</u>	<u>\$ 15,333</u>	<u>\$ 42,079</u>	<u>\$ 11,971</u>

General Revenues

Taxes:

Property

Sales

Utility Users

Other

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Gain (Loss) on Sale of Capital Assets

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - October 1

Net Assets - September 30

The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Long Beach Public Transpor- tation Company
\$ (10,709)	\$ -	\$ (10,709)	\$ -
6,213	-	6,213	-
(197,478)	-	(197,478)	-
(13,912)	-	(13,912)	-
(68,391)	-	(68,391)	-
3,509	-	3,509	-
14,289	-	14,289	-
(34,554)	-	(34,554)	-
(301,033)	-	(301,033)	-
-	13,397	13,397	-
-	7,352	7,352	-
-	1,633	1,633	-
-	8,343	8,343	-
-	7,462	7,462	-
-	(674)	(674)	-
-	(32,658)	(32,658)	-
-	2,637	2,637	-
-	(4,061)	(4,061)	-
-	142,074	142,074	-
-	145,505	145,505	-
(301,033)	145,505	(155,528)	-
-	-	-	(5,453)
141,335	-	141,335	-
51,557	-	51,557	-
40,637	-	40,637	-
58,291	-	58,291	-
115,668	-	115,668	-
23,520	42,021	65,541	1,107
806	(2,041)	(1,235)	-
13,056	(13,056)	-	-
444,870	26,924	471,794	1,107
143,837	172,429	316,266	(4,346)
455,107	2,656,952	3,112,059	91,539
\$ 598,944	\$ 2,829,381	\$ 3,428,325	\$ 87,193

City of Long Beach
Governmental Funds
Balance Sheet
September 30, 2006
With Summarized Financial Information for 2005
(In Thousands)

	General	Housing Development	Community Development Grants
ASSETS			
Pooled Cash and Cash Equivalents	\$ 40,164	\$ 27,185	\$ 4,474
Non-Pooled Cash and Cash Equivalents	5,629	1,040	3
Non-Pooled Investments	-	-	-
Receivables:			
Interest Receivable	21	10	-
Property Taxes	3,452	-	-
Accounts Receivable	24,661	1	-
Notes and Loans Receivable	2,266	-	-
Due from Other Governments	16,449	-	2,882
Due from Other Funds	12,155	14	-
Allowance for Receivables	(20,437)	-	-
Other Assets	13	1	326
Advances to Other Funds	100,924	20,800	6,719
Land Held for Resale	-	995	1,332
Other Noncurrent Receivables	-	28,598	30,129
Total Assets	\$ 185,297	\$ 78,644	\$ 45,865
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 7,329	\$ 722	\$ 1,485
Accrued Wages Payable	8,099	38	205
Accrued Interest Payable	-	-	-
Tax and Revenue Anticipation Notes Payable	-	-	-
Due to Other Funds	3,821	19	1,994
Deferred Revenues	7,609	28,599	30,736
Deposits and Collections Held in Trust	2,888	32	31
Advances from Other Funds	8,114	3,819	-
Total Liabilities	37,860	33,229	34,451
Fund Balances (Deficit):			
Reserved for:			
Other Noncurrent Receivables	100,924	20,800	6,719
Asset Seizure Money	2,463	-	-
Encumbrances	1,274	-	63
Future Advances to Other Funds	1,486	-	-
Future Capital Projects and Special Programs	-	-	-
Housing Development	-	104	-
Land Held for Resale	-	995	1,332
Estimated Oil Field Abandonment Costs	-	-	-
Debt Service	5,812	-	-
Unreserved, Designated for:			
Subsequent Years' Appropriations	6,696	27,336	3,300
Emergency	34,396	-	-
Unreserved, Undesignated, Reported in:			
General Fund	(5,614)	-	-
Special Revenue Funds	-	(3,820)	-
Capital Projects Funds	-	-	-
Total Fund Balance	147,437	45,415	11,414
Total Liabilities and Fund Balances	\$ 185,297	\$ 78,644	\$ 45,865

The notes to the basic financial statements are an integral part of this statement.

General Capital Projects	Redevelopment Capital Projects	Other Governmental Funds	Totals	
			September 30, 2006	September 30, 2005
\$ 19,526	\$ 39,680	\$ 65,040	\$ 196,069	\$ 170,632
1,095	141,959	157	149,883	234,210
-	10,000	-	10,000	10,000
-	2,601	-	2,632	3,182
-	-	-	3,452	7,353
47	360	3,794	28,863	24,455
-	-	-	2,266	2,370
12,385	16	14,665	46,397	44,637
86	303	-	12,558	21,736
-	-	(782)	(21,219)	(17,661)
-	23,715	10	24,065	14,018
1,615	14,591	-	144,649	140,452
-	116,505	-	118,832	75,284
-	4,065	1,365	64,157	61,752
<u>\$ 34,754</u>	<u>\$ 353,795</u>	<u>\$ 84,249</u>	<u>\$ 782,604</u>	<u>\$ 792,420</u>
\$ 5,351	\$ 2,450	\$ 10,680	\$ 28,017	\$ 27,102
101	62	847	9,352	8,362
-	-	-	-	900
-	-	-	-	30,000
50	3,370	7,332	16,586	25,227
478	18,788	9,977	96,187	84,095
1	605	2,112	5,669	6,822
-	148,773	4,900	165,606	161,103
<u>5,981</u>	<u>174,048</u>	<u>35,848</u>	<u>321,417</u>	<u>343,611</u>
1,615	1,912	-	131,970	132,254
-	-	-	2,463	2,763
9,595	732	4,915	16,579	12,760
-	-	-	1,486	1,486
2,501	112,313	25,764	140,578	203,510
-	-	-	104	480
-	116,505	-	118,832	75,284
-	-	3,495	3,495	3,136
-	48,534	200	54,546	57,712
15,062	48,524	16,927	117,845	81,871
-	-	-	34,396	34,156
-	-	-	(5,614)	(1,554)
-	-	(2,900)	(6,720)	(6,719)
-	(148,773)	-	(148,773)	(148,330)
<u>28,773</u>	<u>179,747</u>	<u>48,401</u>	<u>461,187</u>	<u>448,809</u>
<u>\$ 34,754</u>	<u>\$ 353,795</u>	<u>\$ 84,249</u>	<u>\$ 782,604</u>	<u>\$ 792,420</u>

City Of Long Beach
Reconciliation of Total Governmental Fund Balances to Net Assets
of Governmental Activities in the Statement of Net Assets
September 30, 2006
(in Thousands)

Amounts reported for governmental activities in the statement of net assets are different because:

Total governmental fund balances	\$ 461,187
Capital assets used in the governmental activities, that are not included in the internal service funds, are not financial resources and, therefore, are not reported in the funds.	589,055
Certain property taxes receivable are not available to pay current-period expenditures and, therefore, are deferred in the funds.	1,563
Because the focus of governmental funds is short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by deferred revenue in the funds.	62,871
Governmental long-term liabilities, excluding those liabilities in the internal service funds, are not due and payable in the current period, therefore, are not reported in the funds. (Note 3)	(497,885)
Internal service funds are used by management to charge the cost of operations and financing related to the Civic Center complex; operations, maintenance, financing, and timely replacement of information technology assets and vehicles; and to account for the City's risk management, self-insurance and employee benefits programs to individual user funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	<u>(17,847)</u>
Net assets of governmental activities	<u>\$ 598,944</u>

The notes to the basic financial statements are an integral part of this statement.

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City of Long Beach
Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Fiscal Year Ended September 30, 2006
With Summarized Financial Information for 2005
(In Thousands)

	<u>General</u>	<u>Housing Development</u>	<u>Community Development Grants</u>
Revenues:			
Taxes:			
Property	\$ 61,823	\$ 15,852	\$ -
Sales	49,099	-	-
Utility Users	40,637	-	-
Other Taxes	44,573	-	-
Licenses and Permits	23,143	165	2
Fines and Forfeitures	16,387	-	-
Use of Money and Property	17,707	1,203	661
From Other Agencies	38,652	250	22,853
Charges for Services	26,980	-	-
Other Land Proceeds	-	-	-
Other	6,310	1,235	3,254
Total Revenues	<u>325,311</u>	<u>18,705</u>	<u>26,770</u>
Expenditures:			
Current:			
Legislative and Legal	12,464	-	-
General Government	14,515	72	267
Public Safety	247,102	-	-
Public Health	4,332	-	-
Community and Cultural	43,304	9,619	22,923
Public Works	26,406	-	-
Oil Operations	-	-	-
Total Current Expenditures	<u>348,123</u>	<u>9,691</u>	<u>23,190</u>
Capital Improvements	-	-	-
Loss on Disposition of Land Held for Resale	-	-	-
Debt Service:			
Principal	6,136	907	-
Interest	5,374	407	-
Debt Administration Fees	-	-	-
Total Expenditures	<u>359,633</u>	<u>11,005</u>	<u>23,190</u>
Excess of Revenues Over (Under) Expenditures	<u>(34,322)</u>	<u>7,700</u>	<u>3,580</u>
Other Financing Sources (Uses):			
Other Deferred Payments	-	-	-
Proceeds from Other Long-Term Obligations	2,902	-	-
Payment to Refunded Bond Escrow Agent	-	-	-
Reconveyance of Land	-	-	-
Advances-Capitalized Interest	1,780	92	-
Transfers In	34,590	1,349	197
Transfers Out	<u>(7,742)</u>	<u>(5,753)</u>	<u>(2,875)</u>
Total Other Financing Sources (Uses)	<u>31,530</u>	<u>(4,312)</u>	<u>(2,678)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(2,792)</u>	<u>3,388</u>	<u>902</u>
Fund Balances - October 1	<u>150,229</u>	<u>42,027</u>	<u>10,512</u>
Fund Balances - September 30	<u>\$ 147,437</u>	<u>\$ 45,415</u>	<u>\$ 11,414</u>

The notes to the basic financial statements are an integral part of this statement.

General Capital Projects	Redevelopment Capital Projects	Other Governmental Funds	Totals	
			September 30, 2006	September 30, 2005
\$ -	\$ 63,406	\$ -	\$ 141,081	\$ 124,463
-	-	2,458	51,557	48,216
-	-	-	40,637	39,216
-	3,634	10,085	58,292	51,237
1,409	179	5,110	30,008	26,269
-	-	-	16,387	14,744
717	13,901	23,775	57,964	48,849
13,017	62	145,112	219,946	192,722
-	-	2,091	29,071	46,633
-	716	-	716	-
51	2,145	897	13,892	15,987
<u>15,194</u>	<u>84,043</u>	<u>189,528</u>	<u>659,551</u>	<u>608,336</u>
-	-	-	12,464	10,037
-	269	-	15,123	25,209
-	-	18,955	266,057	257,869
-	-	40,402	44,734	41,651
-	49,930	74,001	199,777	179,859
-	-	16,241	42,647	42,885
-	-	7,089	7,089	6,164
-	50,199	156,688	587,891	563,674
27,336	-	11,726	39,062	30,106
-	-	-	-	4,090
-	7,430	349	14,822	11,942
-	19,320	188	25,289	20,806
-	144	3	147	320
<u>27,336</u>	<u>77,093</u>	<u>168,954</u>	<u>667,211</u>	<u>630,938</u>
<u>(12,142)</u>	<u>6,950</u>	<u>20,574</u>	<u>(7,660)</u>	<u>(22,602)</u>
-	220	-	220	221
-	37,500	-	40,402	188,344
-	(36,135)	-	(36,135)	(3,526)
-	-	-	-	491
-	(1,872)	-	-	-
11,571	5,741	2,452	55,900	52,782
(325)	(7,162)	(16,492)	(40,349)	(33,960)
<u>11,246</u>	<u>(1,708)</u>	<u>(14,040)</u>	<u>20,038</u>	<u>204,352</u>
(896)	5,242	6,534	12,378	181,750
<u>29,669</u>	<u>174,505</u>	<u>41,867</u>	<u>448,809</u>	<u>267,059</u>
<u>\$ 28,773</u>	<u>\$ 179,747</u>	<u>\$ 48,401</u>	<u>\$ 461,187</u>	<u>\$ 448,809</u>

City Of Long Beach
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended September 30, 2006
(in Thousands)

Amounts reported for governmental activities in the statement of activities are different because:

Excess of revenue and other sources over expenditures and other uses - total governmental funds	\$ 12,378
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful life and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period. (Note 3)	94,830
Net effect of miscellaneous transactions involving capital assets (for example, sales, trade-ins and donations) is a decrease to net assets.	(424)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	473
Governmental funds report expenditures pertaining to the establishment of certain long-term loans made. Payments on these long-term receivables are recorded as revenue in the governmental funds. These deferred credits are not reported on the statement of net assets and, therefore, the corresponding net expense is not reported on the statement of activities.	8,887
The issuance of long-term debt (for example, bonds and leases) provides current financial resources to governmental funds, while the payment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any affect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is reflected herein. (Note 3)	16,102
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in government funds. (Note 3)	(1,375)
Internal service funds are used by management to charge the cost of certain services to individual funds. The net loss of of certain activities of internal service funds is reported as governmental activities. (Note 3)	<u>12,966</u>
Change in net assets of governmental activities	<u>\$ 143,837</u>

The notes to the basic financial statements are an integral part of this statement.

City of Long Beach
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances -
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended September 30, 2006
(In Thousands)

	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Property Taxes	\$ 63,528	\$ 63,528	\$ 61,823	\$ (1,705)
Sales Taxes	47,738	47,738	49,099	1,361
Utility Users Taxes	41,215	41,215	40,637	(578)
Other Taxes	44,765	46,265	44,573	(1,692)
Licenses and Permits	20,363	20,363	23,143	2,780
Fines and Forfeitures	14,391	14,391	16,387	1,996
Use of Money and Property	22,006	22,006	17,707	(4,299)
From Other Agencies	30,860	30,860	38,652	7,792
Charges for Services	27,310	25,481	26,980	1,499
Other	12,504	13,128	6,310	(6,818)
Total Revenues	<u>324,680</u>	<u>324,975</u>	<u>325,311</u>	<u>336</u>
Expenditures:				
Current:				
Legislative and Legal	13,150	13,406	12,584	822
General Government	11,364	9,745	14,838	(5,093)
Public Safety	245,316	249,368	247,321	2,047
Public Health	4,882	4,367	4,360	7
Community and Cultural	45,034	44,760	43,778	982
Public Works	32,532	27,609	26,516	1,093
Total Current Expenditures	<u>352,278</u>	<u>349,255</u>	<u>349,397</u>	<u>(142)</u>
Debt Service:				
Principal	5,645	6,217	6,136	81
Interest	5,980	6,184	5,374	810
Total Expenditures	<u>363,903</u>	<u>361,656</u>	<u>360,907</u>	<u>749</u>
Excess of Revenues Over (Under) Expenditures	<u>(39,223)</u>	<u>(36,681)</u>	<u>(35,596)</u>	<u>1,085</u>
Other Financing Sources (Uses):				
Proceeds from Other				
Long-Term Obligations	-	2,902	2,902	-
Advances change in Principal	-	-	1,780	1,780
Transfers In	33,558	35,571	34,590	(981)
Transfers Out	102	(7,264)	(7,742)	(478)
Total Other Financing Sources	<u>33,660</u>	<u>31,209</u>	<u>31,530</u>	<u>321</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(5,563)</u>	<u>(5,472)</u>	<u>(4,066)</u>	<u>1,406</u>
Fund Balances - October 1, Budgetary Basis	148,515	148,515	148,515	-
Encumbrances, Beginning of the Year	1,714	1,714	1,714	-
Fund Balances - September 30, Budgetary Basis	<u>\$ 144,666</u>	<u>\$ 144,757</u>	<u>\$ 146,163</u>	<u>\$ 1,406</u>

The notes to the basic financial statements are an integral part of this statement.

City of Long Beach
Housing Development Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances -
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended September 30, 2006
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual On</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>with Final</u>
			<u>Basis</u>	<u>Budget -</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues:				
Property Taxes	\$ 11,625	\$ 13,042	\$ 15,852	\$ 2,810
Licenses and Permits	10	333	165	(168)
Use of Money and Property	466	371	1,203	832
From Other Agencies	11,646	12,288	250	(12,038)
Other	173	246	1,235	989
Total Revenues	<u>23,920</u>	<u>26,280</u>	<u>18,705</u>	<u>(7,575)</u>
Expenditures:				
General Government	77	77	72	5
Community and Cultural	<u>64,694</u>	<u>55,981</u>	<u>9,619</u>	<u>46,362</u>
Total Current Expenditures	64,771	56,058	9,691	46,367
Debt Service:				
Principal	920	920	907	13
Interest	504	393	407	(14)
Debt Administration Fees	14	14	-	14
Total Expenditures	<u>66,209</u>	<u>57,385</u>	<u>11,005</u>	<u>46,380</u>
Excess of Revenues Over				
(Under) Expenditures	<u>(42,289)</u>	<u>(31,105)</u>	<u>7,700</u>	<u>38,805</u>
Other Financing Sources (Uses):				
Advances-Capitalized Interest	-	-	92	92
Transfers In	25,400	25,495	1,349	(24,146)
Transfers Out	<u>(3,519)</u>	<u>(12,519)</u>	<u>(5,753)</u>	<u>6,766</u>
Total Other Financing				
Sources (Uses)	<u>21,881</u>	<u>12,976</u>	<u>(4,312)</u>	<u>(17,288)</u>
Excess of Revenues and Other				
Sources Over (Under) Expenditures				
and Other Uses	<u>(20,408)</u>	<u>(18,129)</u>	<u>3,388</u>	<u>21,517</u>
Fund Balances - October 1, Budgetary Basis	<u>42,027</u>	<u>42,027</u>	<u>42,027</u>	<u>-</u>
Fund Balances - September 30, Budgetary Basis	<u>\$ 21,619</u>	<u>\$ 23,898</u>	<u>\$ 45,415</u>	<u>\$ 21,517</u>

The notes to the basic financial statements are an integral part of this statement.

City of Long Beach
Community Development Grants Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances -
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended September 30, 2006
(In Thousands)

	Budgeted Amounts		Actual On	Variance
	Original	Final	Budgetary	with Final
			Basis	Budget -
				Favorable
				(Unfavorable)
Revenues:				
Licenses and Permits	\$ 1	\$ 3	\$ 2	\$ (1)
Use of Money and Property	1,053	1,218	661	(557)
From Other Agencies	70,047	71,636	22,853	(48,783)
Other	1,620	2,349	3,254	905
Total Revenues	72,721	75,206	26,770	(48,436)
Expenditures:				
General Government	394	879	267	612
Community and Cultural	69,257	67,203	22,986	44,217
Total Current Expenditures	69,651	68,082	23,253	44,829
Total Expenditures	69,651	68,082	23,253	44,829
Excess of Revenues Over				
(Under) Expenditures	3,070	7,124	3,517	(3,607)
Other Financing Sources (Uses):				
Transfers In	-	142	197	55
Transfers Out	-	(3,810)	(2,875)	935
Total Other Financing				
Sources (Uses)	-	(3,668)	(2,678)	990
Excess of Revenues and Other				
Sources Over (Under) Expenditures				
and Other Uses	3,070	3,456	839	(2,617)
Fund Balances - October 1, Budgetary Basis	9,154	9,154	9,154	-
Encumbrances - Beginning of the Year	26	26	26	-
Fund Balances - September 30, Budgetary Basis	\$ 12,250	\$ 12,636	\$ 10,019	\$ (2,617)

The notes to the basic financial statements are an integral part of this statement.

City of Long Beach
Proprietary Funds
Statement of Net Assets (Deficit)
September 30, 2006
With Summarized Financial Information for 2005
(In Thousands)

	Business-type Activities - Enterprise Funds				
	<u>Gas</u>	<u>Water</u>	<u>Solid Waste Management</u>	<u>Tidelands</u>	<u>Tideland Oil Revenue</u>
ASSETS					
Current Assets:					
Pooled Cash and Cash Equivalents	\$ 10,778	\$ 8,519	\$ 53,780	\$ 17,231	\$ 22,460
Non-Pooled Cash and Cash Equivalents	34	-	-	-	-
Non-Pooled Investments	-	603	-	-	-
Receivables:					
Interest Receivable	-	-	-	-	-
Accounts Receivable	3,684	5,319	9,653	6,926	43,734
Due from Other Governments	-	-	869	390	2
Due from Other Funds	698	70	-	15,956	-
Capital Leases Receivable-Current	-	-	-	386	-
Other Receivables	-	-	-	-	-
Allowance for Receivables	(448)	(214)	(291)	(4,150)	-
Inventory	1,025	1,974	-	109	-
Other Assets-Current	-	-	-	-	-
Total Current Asset	<u>15,771</u>	<u>16,271</u>	<u>64,011</u>	<u>36,848</u>	<u>66,196</u>
Restricted Assets:					
Pooled Cash and Cash Equivalents	4,092	2,067	650	14,913	-
Non-Pooled Cash and Cash Equivalents	-	-	-	20,041	-
Non-Pooled Investments	650	2,996	11,718	-	-
Interest Receivable	-	-	-	247	-
Accounts Receivable	-	-	-	-	-
Deposits	-	-	-	-	-
Total Restricted Assets	<u>4,742</u>	<u>5,063</u>	<u>12,368</u>	<u>35,201</u>	<u>-</u>
Noncurrent Assets:					
Noncurrent Receivables:					
Capital Lease Receivable	-	-	-	527	-
Other Noncurrent Receivables (net)	-	-	5,637	-	610
Advances to Other Funds	4,946	-	-	-	-
Capital Assets:					
Land and Other Capital Assets not being Depreciated	5,399	32,830	7,366	76,049	-
Capital Assets net of Accumulated Depreciation	59,875	215,644	43,759	301,290	-
Other Assets-Long-Term	-	1,978	-	14,591	324,800
Total Noncurrent Assets	<u>70,220</u>	<u>250,452</u>	<u>56,762</u>	<u>392,457</u>	<u>325,410</u>
Total Assets	<u>90,733</u>	<u>271,786</u>	<u>133,141</u>	<u>464,506</u>	<u>391,606</u>

Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
Harbor	Other Proprietary Funds	Totals Proprietary Funds		September 30, 2006	September 30, 2005
		September 30, 2006	September 30, 2005		
\$ 563,904	\$ 25,390	\$ 702,062	\$ 616,013	\$ 89,623	\$ 104,842
-	-	34	-	-	-
-	-	603	603	-	-
576	-	576	716	-	-
47,784	2,428	119,528	126,796	10,096	1,134
2,808	2,640	6,709	2,628	702	966
153	-	16,877	11,114	6,534	5,643
-	-	386	351	-	-
-	64	64	62	-	-
(6,020)	(311)	(11,434)	(11,258)	(329)	(249)
928	66	4,102	4,088	1,737	1,519
-	-	-	21	-	-
610,133	30,277	839,507	751,134	108,363	113,855
259,113	150,712	431,547	415,682	7,326	14,332
21,922	1,043	43,006	41,981	12,357	11,977
32,231	3,169	50,764	51,016	-	-
-	35	282	288	-	-
-	291	291	341	-	-
-	-	-	-	6,858	2,848
313,266	155,250	525,890	509,308	26,541	29,157
-	-	527	913	-	-
6,788	487	13,522	13,278	2,137	-
27,435	8,114	40,495	37,134	-	-
1,202,281	15,102	1,339,027	1,294,455	9,662	7,314
989,150	112,959	1,722,677	1,780,991	122,851	124,094
73,722	-	415,091	397,037	71,420	78,565
2,299,376	136,662	3,531,339	3,523,808	206,070	209,973
3,222,775	322,189	4,896,736	4,784,250	340,974	352,985

(continued)

City of Long Beach
Proprietary Funds
Statement of Net Assets (Deficit)
September 30, 2006
With Summarized Financial Information for 2005
(In Thousands)
(continued)

Business-type Activities - Enterprise Funds

	Gas	Water	Solid Waste Management	Tidelands	Tideland Oil Revenue
LIABILITIES					
Current Liabilities Payable from Current Assets:					
Accounts Payable	\$ 9,911	\$ 6,535	\$ 4,101	\$ 6,398	\$ 15,548
Accrued Wages	365	317	243	492	113
Accrued Interest Payable	-	-	7	174	-
Due to Other Funds	180	250	120	941	1,764
Deferred Revenues	567	-	-	2,939	-
Collections Held in Trust	-	-	527	86	1,149
Advances from Developers	-	234	-	-	-
Employee Benefits	-	-	-	-	-
Accrued Self-Insurance Claims - Current	-	-	-	-	-
Due to State of California	-	-	-	-	5,470
Obligations Under Capital Leases-Current	-	-	-	2,331	-
Bonds Payable Due Within One Year	-	-	-	8,065	-
Other Long-Term Obligations-Current	-	-	-	1,394	-
Total Current Liabilities	<u>11,023</u>	<u>7,336</u>	<u>4,998</u>	<u>22,820</u>	<u>24,044</u>
Current Liabilities Payable from Restricted Assets:					
Accounts Payable	-	-	-	-	-
Accrued Interest Payable	29	785	1,567	3,676	-
Customers Deposits\Deferred Revenue	1,822	707	-	25	-
Other Long-Term Obligations	-	143	-	-	-
Bonds Payable Due Within One Year	905	1,210	6,540	-	-
Total Liabilities Payable from Restricted Assets	<u>2,756</u>	<u>2,845</u>	<u>8,107</u>	<u>3,701</u>	<u>-</u>
Noncurrent Liabilities:					
Advances from Other Funds	-	-	-	19,538	-
Deferred Revenues	-	-	5,637	-	-
Employee Benefits	-	-	-	-	-
Accrued Self-Insurance Claims	-	-	-	-	-
Accrued Oil Field Abandonment Costs	-	-	-	-	324,800
Due to State of California	-	-	-	-	610
Obligations Under Capital Leases	-	-	-	3,788	-
Other Long-Term Obligations	7,755	6,087	-	28,326	-
Unamortized Discount/Deferred cost	-	(51)	-	-	-
Bonds Payable	5,595	33,465	101,155	178,890	-
Unamortized Discount/Deferred cost	(107)	(3,447)	1,865	(16,745)	-
Total Noncurrent Liabilities	<u>13,243</u>	<u>36,054</u>	<u>108,657</u>	<u>213,797</u>	<u>325,410</u>
Total Liabilities	<u>27,022</u>	<u>46,235</u>	<u>121,762</u>	<u>240,318</u>	<u>349,454</u>
NET ASSETS (DEFICIT)					
Investment in Capital Assets, Net of Related Debt	51,126	210,282	(58,435)	171,290	-
Restricted for:					
Debt Service	785	4,355	11,706	21,927	-
Capital Projects	2,106	-	650	1,346	-
Health Care Insurance	-	-	-	-	-
Harbor Project Contingencies	-	-	-	-	-
Aquarium	-	-	-	7,978	-
Subsidence	-	-	-	-	-
Unrestricted	9,694	10,914	57,458	21,647	42,152
Total Net Assets (Deficit)	<u>\$ 63,711</u>	<u>\$ 225,551</u>	<u>\$ 11,379</u>	<u>\$ 224,188</u>	<u>\$ 42,152</u>

Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds

Net Assets of Business - Type Activities

The notes to the basic financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
Harbor	Other Proprietary Funds	Totals Proprietary Funds		September 30, 2006	September 30, 2005
		September 30, 2006	September 30, 2005		
\$ 49,464	\$ 1,775	\$ 93,732	\$ 47,955	\$ 3,398	\$ 7,041
6,354	345	8,229	7,517	33,977	30,286
149	168	498	646	4,691	3,481
15,206	244	18,705	12,617	678	649
17,227	8,422	29,155	23,913	-	-
-	158	1,920	4,968	489	513
-	32	266	300	-	-
-	-	-	-	6,200	7,900
-	-	-	-	19,010	21,750
-	-	5,470	105,373	-	-
-	-	2,331	2,102	2,214	1,887
-	-	8,065	4,660	7,710	7,300
41	785	2,220	1,953	-	-
<u>88,441</u>	<u>11,929</u>	<u>170,591</u>	<u>212,004</u>	<u>78,367</u>	<u>80,807</u>
-	65	65	30	-	-
17,746	-	23,803	26,389	-	-
-	-	2,554	2,733	-	-
-	-	143	138	-	-
38,335	-	46,990	43,330	-	-
<u>56,081</u>	<u>65</u>	<u>73,555</u>	<u>72,620</u>	<u>-</u>	<u>-</u>
-	-	19,538	16,483	-	-
-	6,235	11,872	8,712	-	-
-	-	-	-	64,356	61,576
-	-	-	-	85,780	112,362
18,300	-	343,100	328,700	-	-
-	-	610	610	-	-
-	-	3,788	5,470	7,161	2,449
60,192	10,195	112,555	95,101	-	-
-	(1,167)	(1,218)	(1,629)	-	-
993,480	-	1,312,585	1,361,620	151,185	161,295
24,135	-	5,701	7,932	(13,350)	(15,016)
<u>1,096,107</u>	<u>15,263</u>	<u>1,808,531</u>	<u>1,822,999</u>	<u>295,132</u>	<u>322,666</u>
<u>1,240,629</u>	<u>27,257</u>	<u>2,052,677</u>	<u>2,107,623</u>	<u>373,499</u>	<u>403,473</u>
1,079,606	118,248	1,572,117	1,564,750	71,300	66,410
103,480	1,098	143,351	145,798	5,710	9,604
51,648	4,224	59,974	125,609	-	-
-	-	-	-	14,125	13,088
162,603	-	162,603	78,587	-	-
-	-	7,978	7,397	-	-
-	149,863	149,863	148,484	-	-
584,809	21,499	748,173	606,002	(123,660)	(139,590)
<u>\$ 1,982,146</u>	<u>\$ 294,932</u>	<u>2,844,059</u>	<u>2,676,627</u>	<u>\$ (32,525)</u>	<u>\$ (50,488)</u>
		(14,678)	(19,675)		
		<u>\$ 2,829,381</u>	<u>\$ 2,656,952</u>		

City of Long Beach
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficit)
For the Fiscal Year Ended September 30, 2006
With Summarized Financial Information for 2005
(In Thousands)

	Business-type Activities - Enterprise Funds				
	<u>Gas</u>	<u>Water</u>	<u>Solid Waste Management</u>	<u>Tidelands</u>	<u>Tideland Oil Revenue</u>
Operating Revenues:					
Licenses and Permits	\$ -	\$ -	\$ -	\$ 475	\$ -
Fees, Concessions and Rentals	-	-	-	30,595	261,308
From Other Agencies	-	-	-	582	-
Charges for Services	107,481	66,074	78,173	40,463	5,509
Other	-	-	-	-	168
Total Operating Revenues	107,481	66,074	78,173	72,115	266,985
Operating Expenses:					
Personal Services	11,611	12,974	10,661	27,700	4,282
Purchases of Gas and Water	69,643	19,179	-	-	-
Maintenance and Other Operations	15,166	20,858	54,301	50,336	7,193
Insurance Premiums	-	-	-	-	-
Self-Insured Losses	-	-	-	-	-
Compensated Absences	-	-	-	-	-
Employee Benefits	-	-	-	-	-
Payments to Other Entities	-	-	-	-	253,010
Bad Debt	366	48	256	-	-
Amortization	-	-	-	573	-
Depreciation	3,242	7,922	4,474	15,729	-
Total Operating Expenses	100,028	60,981	69,692	94,338	264,485
Operating Income (Loss)	7,453	5,093	8,481	(22,223)	2,500
Non-Operating Income (Expense):					
Interest Income	676	653	2,424	3,461	-
Interest Expense	(402)	(2,255)	(5,012)	(12,215)	-
Gain on Disposition of Fixed Assets	(441)	(213)	(7)	24	-
Oil Field Abandonment Costs	-	-	-	-	-
Operating Grants	-	-	1,126	-	-
Other Income (Expense)	5,572	1,124	1,842	874	7
Total Non-Operating Income (Expense)	5,405	(691)	373	(7,856)	7
Income (Loss) Before Contributions and Transfers	12,858	4,402	8,854	(30,079)	2,507
Capital Grants and Contributions	-	2,634	-	-	-
Transfers:					
Transfers In	-	-	-	37,589	-
Transfers Out	(17,002)	-	(1,258)	-	(18,163)
Change in Net Assets	(4,144)	7,036	7,596	7,510	(15,656)
Net Assets (Deficit) - October 1	67,855	218,515	3,783	216,678	57,808
Net Assets (Deficit)- September 30	\$ 63,711	\$ 225,551	\$ 11,379	\$ 224,188	\$ 42,152
Change in Net Assets of Business - Enterprise Funds					
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds					
Change in Net Assets of Business - Type Activities					

The notes to the basic financial statements are an integral part of this statement.

Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
Harbor	Other Proprietary Funds	Totals Proprietary Funds		September 30, 2006	September 30, 2005
		September 30, 2006	September 30, 2005		
\$ -	\$ -	\$ 475	\$ 361	\$ -	\$ -
349,134	24,796	665,833	578,554	-	-
-	-	582	528	-	-
-	17,017	314,717	284,242	268,338	252,267
4,160	-	4,328	3,979	6,129	5,468
<u>353,294</u>	<u>41,813</u>	<u>985,935</u>	<u>867,664</u>	<u>274,467</u>	<u>257,735</u>
31,074	12,189	110,491	96,004	30,645	30,288
-	-	88,822	83,610	-	-
44,467	23,696	216,017	180,350	35,726	37,808
-	-	-	-	2,804	2,906
-	-	-	-	7,841	54,088
-	-	-	-	43,408	39,424
-	-	-	-	120,906	115,306
-	-	253,010	164,078	-	-
-	-	670	661	-	-
4,787	-	5,360	4,779	8,785	6,539
80,678	4,979	117,024	115,869	12,160	10,375
<u>161,006</u>	<u>40,864</u>	<u>791,394</u>	<u>645,351</u>	<u>262,275</u>	<u>296,734</u>
<u>192,288</u>	<u>949</u>	<u>194,541</u>	<u>222,313</u>	<u>12,192</u>	<u>(38,999)</u>
28,302	6,505	42,021	27,599	2,394	1,890
(54,110)	(724)	(74,718)	(79,105)	(9,947)	(8,737)
(1,392)	(12)	(2,041)	(665)	229	332
-	-	-	(13,310)	-	-
-	58	1,184	2,520	-	-
831	304	10,554	15,981	15,414	5,886
<u>(26,369)</u>	<u>6,131</u>	<u>(23,000)</u>	<u>(46,980)</u>	<u>8,090</u>	<u>(629)</u>
165,919	7,080	171,541	175,333	20,282	(39,628)
2,298	4,015	8,947	25,806	176	34,546
-	-	37,589	26,352	484	1,350
<u>(14,222)</u>	<u>-</u>	<u>(50,645)</u>	<u>(40,665)</u>	<u>(2,979)</u>	<u>(5,859)</u>
153,995	11,095	167,432	186,826	17,963	(9,591)
<u>1,828,151</u>	<u>283,837</u>	<u>2,676,627</u>	<u>2,489,801</u>	<u>(50,488)</u>	<u>(40,897)</u>
<u>\$ 1,982,146</u>	<u>\$ 294,932</u>	<u>\$ 2,844,059</u>	<u>\$ 2,676,627</u>	<u>\$ (32,525)</u>	<u>\$ (50,488)</u>
		167,432	186,826		
		<u>(14,678)</u>	<u>(19,675)</u>		
		<u>\$ 152,754</u>	<u>\$ 167,151</u>		

City of Long Beach
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2006
With Summarized Financial Information for 2005
(In Thousands)

Business-Type Activities - Enterprise Funds					
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
	Gas	Water	Solid Waste Management	Tidelands	Tideland Oil Revenue
Cash Flows from Operating Activities:					
Receipts from Customers	\$ 107,558	\$ 67,382	\$ 74,405	\$ 71,571	\$ -
Receipts from Oil Companies	-	-	-	-	273,420
Receipts from Other Governments	-	-	-	369	-
Receipts from Other Funds	-	-	-	-	-
Payments for Employee Salaries	(11,383)	(12,946)	(10,627)	(27,557)	(4,274)
Payments for Goods and Services	(83,631)	(34,291)	(53,332)	(48,361)	3,592
Payments for Compensated Absences	-	-	-	-	-
Payments for Employee Benefits	-	-	-	-	-
Payments for Liability Claims	-	-	-	-	-
Payments to Other Entities	-	-	-	-	(352,914)
Payments in Lieu of Taxes	-	(4,570)	-	-	-
Other Income (Expense)	5,571	1,141	1,843	796	6
Net Cash Provided by (Used for) Operating Activities	18,115	16,716	12,289	(3,182)	(80,170)
Cash Flows from Non-Capital Financing Activities:					
Operating Grants Received from Other Governments	-	-	865	-	-
Transfers In	-	-	-	32,042	-
Receipts for Oil Well Abandonment Reserve	-	-	-	-	-
Transfers Out	(17,002)	-	(1,258)	-	(18,163)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(17,002)	-	(393)	32,042	(18,163)
Cash Flows from Capital and Related Financing Activities:					
Receipt of Capital Grants	-	2,671	-	-	-
Proceeds from the Sale of Capital Assets	-	64	-	24	-
Proceeds from Issuance of Long-Term Obligations	-	-	-	16,615	-
Proceeds from Issuance of Bonds	7,755	-	-	50,898	-
Receipts of Contributed Capital	-	-	-	-	-
Principal Received on Capital Leases	-	-	-	351	-
Principal Received on Capital Leases from other funds	663	-	-	-	-
Payments for Capital Acquisitions	(10,396)	(15,178)	-	(18,408)	-
Payments of Principal on Bonds Payable	(885)	(1,155)	(6,355)	(4,925)	-
Payments of Principal on Other Long- Term Obligations	-	(138)	-	(3,441)	-
Payments to Defeasance Bonds	-	-	-	(48,815)	-
Payments of Interest	(393)	(2,027)	(4,813)	(14,004)	-
Net Cash Used for Capital and Related Financing Activities	(3,256)	(15,763)	(11,168)	(21,705)	-
Cash Flows from Investing Activities:					
Proceeds from the Sale of Investments	114	-	(273)	-	-
Payment for Investments	-	-	-	-	-
Payments to Other Government Entities	-	-	-	-	-
Harbor Oil Operations Providing Cash	-	-	-	-	-
Receipts of Interest	674	654	2,424	3,566	-
Net Cash Provided by Investing Activities	788	654	2,151	3,566	-
Net Increase (Decrease) in Cash and Cash Equivalents	(1,355)	1,607	2,879	10,721	(98,333)
Cash and Cash Equivalents - October 1	16,259	8,979	51,551	41,464	120,793
Cash and Cash Equivalents - September 30	\$ 14,904	\$ 10,586	\$ 54,430	\$ 52,185	\$ 22,460

Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
Harbor	Other Proprietary Funds	Totals Proprietary Funds		September 30, 2006	September 30, 2005
		September 30, 2006	September 30, 2005		
\$ 354,167	\$ 45,557	\$ 720,640	\$ 654,369	\$ 5,849	\$ 4,745
-	-	273,420	189,300	-	-
-	-	369	822	-	-
-	-	-	-	259,265	251,548
(25,772)	(12,127)	(104,686)	(88,532)	(30,836)	(30,042)
(48,091)	(15,280)	(279,394)	(251,282)	(42,372)	(36,686)
-	-	-	-	(53,787)	(53,553)
-	-	-	-	(123,277)	(113,434)
-	-	-	-	(23,479)	(2,316)
-	-	(352,914)	(72,654)	-	-
-	(8,291)	(12,861)	(11,451)	-	-
-	510	9,867	(3,575)	15,263	5,730
280,304	10,369	254,441	416,997	6,626	25,992
-	58	923	2,404	-	-
-	-	32,042	22,794	484	-
-	-	-	(63,828)	-	-
(9,500)	-	(45,923)	(38,016)	(2,982)	(4,508)
(9,500)	58	(12,958)	(76,646)	(2,498)	(4,508)
1,113	3,852	7,636	7,641	-	-
78	-	166	93	342	499
-	-	16,615	277,683	4,830	10,328
-	-	58,653	7,675	-	-
-	2,739	2,739	19,201	176	165
-	-	351	319	-	-
-	-	663	633	-	-
(59,189)	(11,994)	(115,165)	(146,149)	(13,376)	(14,534)
(34,935)	(750)	(49,005)	(334,167)	-	-
(55)	-	(3,634)	3,594	(11,628)	(8,356)
-	-	(48,815)	(7,560)	-	(7,605)
(58,059)	(580)	(79,876)	(67,687)	(8,710)	(7,919)
(151,047)	(6,733)	(209,672)	(238,724)	(28,366)	(27,422)
3,500	369	3,710	6,166	-	-
-	-	-	(20,855)	-	-
-	(4,061)	(4,061)	(4,054)	-	-
29,562	-	29,562	11,388	-	-
28,208	6,425	41,951	28,313	2,393	1,889
61,270	2,733	71,162	20,958	2,393	1,889
181,027	6,427	102,973	122,585	(21,845)	(4,049)
663,912	170,718	1,073,676	951,091	131,151	135,200
\$ 844,939	\$ 177,145	\$ 1,176,649	\$ 1,073,676	\$ 109,306	\$ 131,151

(continued)

City of Long Beach
Proprietary Funds
Statement of Cash Flows
 For the Fiscal Year Ended September 30, 2006
 With Summarized Financial Information for 2005
 (In Thousands)
 (Continued)

<u>Business-Type Activities - Enterprise Funds</u>					
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>	<u>Gas</u>	<u>Water</u>	<u>Solid Waste Management</u>	<u>Tidelands</u>	<u>Tideland Oil Revenue</u>
Operating Income (Loss)	\$ 7,453	\$ 5,093	\$ 8,481	\$ (22,223)	\$ 2,500
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for)					
Operating Activities:					
Depreciation and Amortization Expense	3,242	7,922	4,474	16,302	-
Other Income (Expense)	5,571	1,189	1,843	796	6
(Increase) Decrease in Accounts Receivable, Net	383	1,366	(3,318)	(715)	9,531
(Increase) Decrease in Amounts Due from Other Governments	-	-	(142)	(213)	(99,899)
(Increase) Decrease in Amounts Due from Other Funds	-	850	-	-	-
(Increase) Decrease in Inventory	(11)	(65)	-	-	-
Decrease in Other Assets	-	-	-	-	-
Increase (Decrease) in Accounts Payable	1,338	391	1,049	1,953	10,135
Increase in Accrued Wages Payable	47	27	19	144	7
Increase (Decrease) in Amounts Due to Other Funds	32	-	15	20	650
Increase (Decrease) in Accrued Claims Payable	-	-	-	-	-
Increase (Decrease) in Deferred Revenues	182	-	(42)	721	-
Decrease in Deferred Credits	-	-	(80)	-	-
Increase (Decrease) in Collections Held in Trust	(122)	(57)	(10)	33	(3,100)
Total Adjustments	10,662	11,623	3,808	19,041	(82,670)
Net Cash Provided by (Used for) Operating Activities	\$ 18,115	\$ 16,716	\$ 12,289	\$ (3,182)	\$ (80,170)

The notes to the basic financial statements are an integral part of this statement.

Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
Harbor	Other Proprietary Funds	Totals Proprietary Funds		September 30, 2006	September 30, 2005
		September 30, 2006	September 30, 2005		
\$ 192,288	\$ 949	\$ 194,541	\$ 222,313	\$ 12,192	\$ (38,999)
85,465	4,979	122,384	120,648	20,945	16,914
-	518	9,923	(2,275)	11,407	3,037
(411)	(126)	6,710	(19,395)	(8,884)	25
-	-	(100,254)	91,918	265	(870)
-	-	850	768	(838)	(727)
58	5	(13)	19	(219)	22
-	-	-	1,322	-	-
821	(109)	15,578	4,968	(3,644)	3,679
449	61	754	2,834	4,770	4,036
350	223	1,290	2,052	(23)	313
-	-	-	-	(29,321)	38,180
1,284	3,829	5,974	(7,627)	-	-
-	-	(80)	(80)	-	-
-	40	(3,216)	(468)	(24)	382
88,016	9,420	59,900	194,684	(5,566)	64,991
\$ 280,304	\$ 10,369	\$ 254,441	\$ 416,997	\$ 6,626	\$ 25,992

City of Long Beach
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2006
(In Thousands)

	Private Purpose Trust	Agency Funds
ASSETS:		
Pooled Cash and Cash Equivalents	\$ -	\$ 10,954
Non-Pooled Cash and Cash Equivalents	-	5,447
Restricted Pooled Cash and Cash Equivalents	943	-
Land	-	11,000
Total Assets	<u>\$ 943</u>	<u>\$ 27,401</u>
LIABILITIES:		
Accounts Payable	-	91
Due to Special Assessment Bondholders	-	2,304
Collections Held in Trust	-	25,006
Total Liabilities	<u>-</u>	<u>27,401</u>
NET ASSETS:		
Held in Trust for Private Purpose Trust Funds	<u>\$ 943</u>	<u>\$ -</u>

City of Long Beach
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
September 30, 2006
(In Thousands)

	Private Purpose Trust
ADDITIONS:	
Interest Income	\$ 37
Contributions from Citizens	28
Total Additions	<u>65</u>
DEDUCTIONS:	
Community and Cultural	<u>100</u>
Change in Net Assets	(35)
Net Assets, October 1	<u>978</u>
Net Assets, September 30	<u>\$ 943</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1 – REPORTING ENTITY

Organization

The City of Long Beach, California (the City), operates under a City Charter originally adopted in 1921 and last amended in 2002. The City Charter establishes the current Mayor-Council-City Manager form of government, sets forth the powers and duties of the Mayor and City Council and defines the roles, duties, and form of organization of the City's various boards, commissions, and other offices. The City is divided into nine councilmanic districts, with Council persons elected to serve within their respective districts. The citizens, as a whole, elect a Mayor, City Auditor, City Attorney and City Prosecutor. The City Council appoints a City Manager who serves at the discretion of the Council.

Financial Reporting Entity

The City provides a full range of municipal services including police and fire, health and environmental, library, recreation, social services, public works, parks, planning and community development, public improvements. The City also provides for sanitation, gas, water, airport and towing services, and operates its international harbor facility and its Tidelands area (consisting of the beaches, Convention Center, Queen Mary, Rainbow Harbor, the Aquarium of the Pacific, marinas and oil extraction administrative operations) under a trust agreement with the State of California. It is the City's policy to establish activity fees and charges designed to recover the cost of providing services, including capital costs such as depreciation and debt service. Accordingly, the financial activities of these operations are accounted for as enterprise funds.

The accompanying basic financial statements present the financial activity of the City of Long Beach and its component units, entities for which the primary government is considered to be financially accountable. Blended component units, although separate legal entities, are in substance part of the government's operations. The City's discretely presented component unit represents a legally separate organization for which the nature and significance of its relationship to the primary government are such that exclusion would cause the City's reporting entity to be misleading or incomplete. Brief descriptions of these related blended and discretely presented component financial reporting units/entities and the method of incorporating their financial information in the accompanying basic financial statements are as follows:

Blended Component Entities

Housing Authority of the City of Long Beach (the Authority) is a public agency created by action of the City Council in 1969 to administer housing assistance programs for qualified residents. The Authority is governed by an eleven-member Board of Commissioners, comprised of the nine City Council members and two representatives elected by housing assistance benefit recipients. The Authority's administrative functions are directed and performed by City employees. The financial activity of the Authority is included in the Housing Assistance Fund, a non-major governmental fund.

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

Redevelopment Agency of the City of Long Beach (the Agency) was established by action of the City Council in 1961 under provisions of State law. The Agency is administered by a five-member governing board whose members are appointed by, and serve at the will of, the City Council. The City Council approves the Agency's annual budget and changes thereto. Additionally, the City Council approves decisions that impact the Agency's fiscal operations, such as determination of redevelopment project areas, bonding decisions and sales of property. Further, the City provides all staffing, treasury management and investment analysis, facilities and administrative services to conduct the Agency's day-to-day operations. Accordingly, the financial activities of the Agency are blended with those of the City in the accompanying basic financial statements and are reported as the Redevelopment Capital Projects Fund.

To accomplish its stated purpose, the Agency assists the City by acquiring land and making such sites suitable for resale to contracted commercial developers. Agency parcels are often sold below the cost of acquisition, with the expectation that the proposed development will meet the objectives of removing blight, increasing local revenues, and expanding the City's economic base and employment opportunities. Such acquisitions are recorded as investments in land at cost, and are adjusted for estimated declines in fair value, upon negotiation of a development disposition agreement.

Long Beach Housing Development Company (the Company) is a non-profit corporation formed by action of the City Council in 1987 to plan, direct, perform and assist the City in meeting its statutorily mandated responsibility to provide adequate housing to low and moderate-income residents, senior citizens and disabled persons. Under California law, the Redevelopment Agency of the City of Long Beach is required to set aside 20% of its incremental property tax revenues to meet these needs. It is the Company's responsibility to assist the City and the Redevelopment Agency in assessing and addressing such needs. The City Council appoints the Company's Board of Directors, approves the Company's bylaws and changes thereto, approves the Company's budget and has ultimate authority over the Company's activities. In addition, the City provides all staffing, facilities and funding for the Company's operations. The financial activities are blended with those of the City in the accompanying basic financial statements and are accounted for in the Housing Development Fund. By electing to form a non-profit corporation to carry out functions that would ordinarily revert to the City, it is the City Council's intention that a greater potential for public/private partnerships be created.

Southeast Resource Recovery Facility (SERRF) Authority is a joint powers authority between the City of Long Beach and the Los Angeles County Sanitation District Number 2. The Authority was created to finance the construction of a waste-to-energy facility through the issuance of lease revenue bonds. Payments under the lease are intended to service bonded debt issued to finance construction of the project. For financial reporting purposes, the capital lease between the SERRF Authority and the City has been eliminated, and the financial activities of the SERRF Authority are included in the Solid Waste Management Enterprise Fund. (See Note 18).

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

Non-profit Financing Corporations and Authorities:

The financial operations of several non-profit financing corporations and authorities organized for the purpose of financing various capital improvements or debt refinancings within the City are also included as blended component units in the accompanying basic financial statements. The activities of the organizations listed below are generally restricted to financing City related capital improvements. In this regard, the City Council either serves as the governing board or appoints the voting majority of the governing board, and otherwise exercises significant oversight and direct operational and financial control over these entities. Therefore, such entities meet established criteria for inclusion in the accompanying basic financial statements.

For the most part, these non-profit corporations enter into capitalizable leases with the City (See Note 11). However, for financial reporting purposes, such lease transactions are eliminated, and the related financing obligations and related capital assets are carried at cost in the accompanying basic financial statements.

The non-profit financing corporations established by the City are:

<u>Entity</u>	<u>Affected Fund Type</u>	<u>Affected Funds</u>
Long Beach Financing Authority	Governmental	Redevelopment Capital Projects Fund
Long Beach Bond Finance Authority	Governmental and Business-Type	Internal Service Funds Tidelands Fund Redevelopment Capital Projects Fund Gas Enterprise Fund Housing Assistance Fund
Long Beach Capital Improvement Corporation	Business-Type	Other Proprietary Enterprise Fund
Parking Authority of the City of Long Beach	Business-Type	Tidelands Fund

Separately issued financial statements are required for the Redevelopment Agency, the Housing Development Company and separate financing authorities due to financing or legal requirements. These separately issued financial statements may be obtained at City Hall. There is no requirement to separately issue financial statements for the remaining component financial reporting units; consequently, none are issued.

Discretely Presented Component Unit

The Long Beach Public Transportation Company (LBT) is a nonprofit corporation, formed in 1963 to purchase the local public transit system from a private carrier. The City is LBT's sole shareholder.

LBT is governed by a seven-member Board of Directors (Board) which provides broad policy and financial decisions, setting direction for management. The Mayor, with the approval of the City Council, appoints residents of the community to the Board to serve

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

overlapping four-year terms. In addition, two designees of the City Manager's Office serve as ex-officio Board members but do not have voting authority. LBT's mission is "to provide public transit services that enhance and improve the quality of life for the people in our community."

LBT's governing body does not share common membership with that of the City and its service area overlaps other communities. The financial operations of the LBT are reported as a separate column in the basic financial statements to emphasize that it is legally and operationally separate from the City. Separate financial statements can be obtained from the Senior Vice President & CFO, Long Beach Transit, P.O. Box 731, Long Beach, CA 90801.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not included among program revenues, as they are appropriately reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the accompanying government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the accompanying fund financial statements.

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended September 30, 2005, from which the summarized information was derived.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The City's government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, and except for reimbursement basis government revenues, which are recognized when earned, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes and taxpayer-assessed tax revenues (e.g., franchise taxes, sales taxes, motor vehicle fees, etc.), net of estimated refunds and uncollectible amounts, and interest associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the City. Property taxes levied for State fiscal year 2006-2007 equated approximately \$126 million. These amounts are included in the City fiscal year 2006-2007 budget and financial statements as the tax proceeds are received by the City in December 2006 and April 2007, and have not been recorded in the accompanying financial statements for fiscal year 2005-2006.

Major Governmental Funds

The General Fund is used to account for financial resources applicable to the general governmental operations of the City of Long Beach which are not required to be accounted for in another fund.

The Housing Development Fund is used to account for the portion of property tax increment monies which is required under California Redevelopment Law, Section 33334, to be set aside for the development of low and moderate-income housing. The operations of the Long Beach Housing Development Company are accounted for in the Housing Development Fund.

The Community Development Grants Fund accounts for Federal grants providing job training and employment opportunities for economically disadvantaged, unemployed, and under-employed persons, and Federal grants from the U.S. Department of Housing and Urban Development (HUD). HUD grants are for the development of viable urban communities providing housing, suitable living environments, and expanding economic opportunities, for persons of low and moderate- income.

The General Capital Projects Fund was established to account for the acquisition, construction, and improvement of capital facilities financed by grants and operating transfers from the General Fund and certain special revenue funds.

The Redevelopment Capital Projects Fund is used to account for the acquisition, relocation, demolition and sale of properties for the City of Long Beach's redevelopment areas. Redevelopment projects are mainly financed with property

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

tax increment funds, operating transfers from the Community Development Grants Special Revenue Fund and bond proceeds. This fund is also used to account for the accumulation of resources for, and the payment of principal and interest on the Redevelopment Agency's bonded debt and other long-term obligations.

Major Enterprise Funds

The Gas Fund is used to account for the activities associated with the transmission and distribution of natural gas to the City's customers.

The Water Fund is used to account for the activities associated with the pumping, purchasing, treatment, transmission and distribution of potable and reclaimed water by the City to its customers.

The Solid Waste Management Fund is used to account for the City's refuse collection and resource recovery operations. The Southeast Resource Recovery Facility (SERRF) Authority is combined with the City's Solid Waste Management Fund for the purpose of financial statement presentation.

The Tidelands Fund is used to account for operations, maintenance and development of the beaches, Convention Center, the Queen Mary, the Aquarium of the Pacific, as well as the City's marinas. For the purpose of financial statement presentation, the Parking Authority of the City of Long Beach is combined with the Tidelands Fund.

The Tideland Oil Revenue Fund is used to account for the proceeds from oil operations within the City's Tidelands area.

The Harbor Fund is used to account for the operations and development of the Tidelands area port district, commonly referred to as the Port of Long Beach.

Additionally, the City reports the following fund types:

Internal Service Funds account for a variety of services provided to other departments or agencies of the City on a cost reimbursement basis. These services include information technology, fleet services, civic center and related maintenance and financing, liability insurance, workers' compensation insurance, unemployment insurance and employee benefits.

Fiduciary Funds include private trust and agency funds. Private trust funds account for assets and activities restricted to a specific purpose in accordance with a trust agreement. These include the Miller Library and Mayor's Fund for the Homeless, from which both principal and interest may be spent for the purposes outlined in the trusts. Agency funds account for assets held by the City as an agent for individuals, private organizations and other governmental units.

The City applies all Governmental Accounting Standards Board (GASB) Statements and Interpretations. As permitted by generally accepted accounting principles, the City has also elected to apply those Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 that may apply to the accounting and reporting practices of the City's enterprise and business-type activities, except those

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

that may conflict with GASB pronouncements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Business-type activities distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a business-type activity's principal ongoing operations. The principal operating revenues of the City's business-type activities are charges for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Pooled Cash and Cash Equivalents

In order to maximize investment return, the City pools its available cash for investment purposes. The cash management pool is used essentially as a demand deposit account by the various funds; accordingly, the City has defined Cash and Cash Equivalents as demand deposits plus all investments maintained in the cash management pool, regardless of maturity period. In addition, several individual funds maintain specific investments over and above any pooled cash balances.

Interest income arising from pooled cash and investments is apportioned to the participating funds based on the relationship of their respective daily cash balances to the total of pooled cash and investments. Investments are stated at fair value as of September 30, 2006. (See Note 4).

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" for the current portion of interfund loans or "advances to/from other funds" for the non-current portion of interfund loans. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable, available financial resources.

Trade and property tax receivables are shown net of any provisions for uncollectible accounts.

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

Inventories

Inventory of supplies are accounted for using the consumption method and are stated at average cost, applied on a first-in, first-out basis.

Capital Assets

Capital assets include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the accompanying government-wide financial statements.

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the constructed asset.

Capital assets of the primary government are depreciated on a straight-line basis, over the estimated useful lives of the assets, as follows:

Land Improvements	15-35 years
Buildings and Utility Plant	20-50 years
Structures and Facilities	10-35 years
Infrastructure	20-50 years
Automobiles	2-6 years
Automotive Equipment	10-20 years
Machinery and Equipment	5-20 years
Office Furniture, Fixtures and Equipment	3-20 years

Land parcels held for resale are recorded at cost, and are adjusted for estimated declines in fair value, upon negotiation of a development disposition agreement.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Initial-issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Bonds payable are reported net of the unamortized portion of applicable premium, discount or deferred amount on refunding.

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

Bond issuance costs, including underwriters' discount, are reported as deferred bond issuance costs. Amortization of bond premiums or discounts, issuance costs and deferred amounts on refunding are generally included in interest expense unless otherwise noted.

In the accompanying fund financial statements, the City's governmental fund types recognize bond premiums, discounts and issuance costs during the period issued. The face amount of debt issued has been reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Net Assets and Fund Equity

In the government-wide financial statements and proprietary fund financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and, unrestricted net assets. Restricted net assets represent net assets restricted by parties outside of the City (such as investors, grantors, contributors, laws and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. Nonexpendable portions of the private purpose trust funds are reported as held in trust. The City's other restricted net assets are temporarily restricted (ultimately expendable assets). All other net assets are considered unrestricted.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not readily available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent City Council actions or policies that are subject to change.

Property Tax Calendar

Under the State Constitution, the property tax rate is limited to 1% of assessed value, but may be adjusted for specific voter-approved indebtedness. Property taxes are levied by the Los Angeles County (County) Tax Assessor and shared among all other local taxing authorities within the City. Accordingly, the County collects property taxes and distributes such taxes on the basis of the taxing authorities' tax rate percentages, allowing for such adjustments as may be authorized for voter-approved debt. Secured property taxes are levied during September of every year and become a lien on real property on January 1 of the calendar year for which taxes are levied. These tax payments can be made in two equal installments; the first is due November 1st and delinquent with penalties after December 10th; the second is due February 1st and delinquent with penalties after April 10th.

Revenue Recognition for Utility Funds

Utility revenues are recorded as billed to customers on a cyclical monthly basis. Unbilled amounts at year-end are not considered material and are not recognized as revenue.

Employee Benefits and Compensated Absences

Benefits for City employees are paid from the City's Employee Benefits Internal Service Fund, except for the residual balance of a City-administered Police and Fire Annuity Benefit Program that was terminated in 1945. The Employee Benefits Internal Service Fund is

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

reimbursed through payroll charges to other funds based on estimates of benefits earned. The City's policy is to pay all accumulated vacation and holiday pay when an employee retires or terminates. Beginning August 1, 2006, management employees, upon retirement, have 75% of his/her outstanding vacation leave converted to sick leave.

Accumulated sick leave becomes vested only when an employee meets the City's minimum requirements for retirement. At the time of retirement, employees have the option of using the cash value equivalent of accumulated sick leave to continue in the City's health insurance plan or to purchase additional pension benefits from the State of California Public Employees' Retirement System (CalPERS). Accumulated sick leave is forfeited upon termination for reasons other than retirement. Through fiscal year 2005, the City also contributed up to 32 hours of accumulated sick leave each year to deferred compensation plans for active safety employees who had accumulated in excess of 40 days of sick leave as of January 1 of each calendar year. These deferred compensation contributions were funded and remitted to the City's deferred compensation third-party administrators.

The City makes annual contributions in varying amounts to deferred compensation plans for certain employee groups who serve in sensitive, confidential capacities. Effective January 1, 2005 this benefit ceased for safety employees. No other City employees received such benefit.

Through fiscal year 2005, the City had established an Integral Part Trust (Post Employment Medical Benefits) for police officers. This third-party administered trust provides reimbursements for post retirement medical expenses. For eligible employees, the value of 32 hours of accumulated sick leave and excess, unused vacation, using the employee's current wage rate, was deposited, pre-tax into a trust account maintained in the employee's name. This benefit to deposit the value of 32 hours of sick leave and excess leave was effective through fiscal year 2003. The excess vacation was effective through fiscal year 2005.

Vacation and holiday benefits are recognized when earned. Sick leave benefits are recognized on a pro-rata basis using an actuarially determined method. (See Note 13).

Budgetary Principles

The City Council adopted the fiscal year 2006 budget prior to September 30, 2005 for all funds except for agency funds. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various governmental funds. The City Council may amend the budget by motion during the fiscal year. The City Manager may transfer appropriations within the departments or within a given fund, without City Council approval, provided that the total appropriations at the fund level and at the department level do not change. Transfers of appropriation between funds or departments require City Council approval. Appropriations lapse at the end of the fiscal year to the extent they have not been expended or encumbered.

Budget information is presented in the accompanying basic financial statements for the General Fund, the Housing Development Fund and the Community Development Grants Fund on a non-GAAP budgetary basis, since appropriations represent budgeted amounts to be expended or encumbered during the year.

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

Budgeted revenue and expenditure amounts represent the originally budgeted amounts as well as budgeted amounts as modified by adjustments authorized during the year. Total expenditures of each fund may not exceed fund appropriations, and total expenditures for each department may not exceed departmental appropriations.

Accounting for Encumbrances

Encumbrances outstanding at year-end are not reported as expenditures, but are reported as a reservation of fund balance available for subsequent year expenditures based on the encumbered appropriation authority carried over to the next fiscal year. For budgetary purposes, the City records an encumbrance as a charge against appropriations in the accounting period in which a purchase order is issued, rather than in the accounting period when goods or services are received as required by generally accepted accounting principles. (Adjustments necessary to convert actual expenditures from the modified accrual basis to the budgetary basis are reflected in Note 16).

Implementation of New Accounting Pronouncements

For the fiscal year ended September 30, 2006, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board (GASB) Statements:

- GASB Statement No. 42 Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries establishes accounting and financial reporting standards for the impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries. In the current year, the City did not identify any prominent events or changes resulting in impairment of capital assets.
- GASB Statement No. 44 Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) guides the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition of a government. The City implemented this new reporting requirement in the current fiscal year.
- GASB Statement No. 46 Net Assets Restricted by Enabling Legislation addresses selected issues and amends GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. The Statement enhances the usefulness and comparability of net asset information and clarifies the meaning of legal enforceability. The Statement also specifies accounting and financial reporting requirements for restricted net assets. The adoption did not have a material impact on the City's financial statements.
- GASB Statement No. 47 Accounting for Termination Benefits provides accounting guidance for state and local governmental employers regarding

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

benefits (such as early-retirement incentives and severance benefits) provided to employees that are terminated. The Statement requires recognition of the cost of involuntary termination benefits in the period in which a government becomes obligated to provide benefits to terminated employees. The adoption did not have a material impact on the City's financial statements.

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In April 2004, GASB issued Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This statement establishes uniform financial reporting standards for other postemployment benefits (OPEB) plans. The approach followed in this statement generally is consistent with the approach adopted for defined benefit pension plans with modifications to reflect differences between pension plans and OPEB plans. The statement applies to OPEB trust funds included in the financial reports of plan sponsors or employers, as well as the stand-alone financial reports of OPEB plans or the public employee retirement systems, or other third parties, that administer them. This statement also provides requirements for reporting of OPEB funds by administrators of multiple-employer OPEB plans, when the fund used to accumulate assets and pay benefits or premiums when due is not a trust fund. This statement is effective for the City's fiscal year ending September 30, 2007.

In June 2004, GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, which addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other non-pension benefits. Collectively, these benefits are commonly referred to as other post-employment benefits, or OPEB. The statement generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB costs for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. This statement is effective for the City's fiscal year ending September 30, 2008.

In September 2006, GASB issued Statement No. 48 Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues. This statement establishes criteria that governments will use to determine whether certain transactions should be regarded as a sale and reported as revenue or regarded as collateralized borrowing and recorded as a liability. Examples of such transactions include the sale of delinquent taxes, certain mortgages, student loans, or future revenue such as those from tobacco settlement agreements. The statement also includes provisions that stipulate that governments should not revalue assets that are transferred between financial reporting entity components. The requirements of this statement are effective for the

**CITY OF LONG BEACH
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financial statements for periods beginning after December 15, 2006. The City plans on implementing GASB Statement No. 48 for the fiscal year ended September 30, 2008.

Estimates

The preparation of the City's basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Differences Between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Assets

The governmental funds balance sheet includes a reconciliation between fund balance – total governmental funds, and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, excluding those liabilities in the internal service funds, are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows (in thousands):

Bonds Payable (Note 9)	\$ 421,201
Less: Deferred charge on refunding (to be amortized as interest expense)	(2,439)
Plus: issuance premium (to be amortized as a reduction of interest expense)	10,390
Less: issuance discount (to be amortized as an increase of interest expense)	(752)
Notes, certificates of participation, commercial paper and other long-term obligations	46,142
Capital lease payable	25,756
Accrued interest payable	6,380
Less: deferred charge for issuance costs (to be amortized over life of debt)	(8,793)
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 497,885</u>

Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds, and changes in net assets of governmental activities as reported in the government-wide statement of activities. Various elements of this reconciliation are explained below. Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this difference are as follows (in thousands):

Capital outlay	\$ 40,938
Contributed Asset	78,505
Depreciation expense	<u>(24,613)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 94,830</u>

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
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The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the long-term debt principal consumes current financial resources. Neither transaction, however, has a net effect on net assets. Also, governmental funds report the effect of issuance costs, premiums/discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this difference are as follows (in thousands):

Debt issued or incurred:	
Issuance of revenue bonds	\$ 35,045
Plus premiums	2,455
Less Issuance costs	(1,178)
Increase of notes, certificates of participation, commercial paper and other long-term obligations due to deferral of charges	220
Capital leases	2,902
Principal repayments:	
Revenue bond debt	(8,945)
Notes, certificates of participation, commercial paper and other long-term obligations	(1,111)
Police and fire annuities paid (closed plan)	(4,589)
Capital leases	(4,766)
Payment to escrow agent for refunding	<u>(36,135)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 16,102</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of this difference are as follows (in thousands):

Increase in liability for police and fire annuities	\$ (1,523)
Accrued interest	261
Amortization of premium	449
Amortization of discount	(27)
Amortization of issuance cost	(367)
Amortization of deferred charge on refunding	(68)
Change in estimated liability for future oil field abandonment costs	<u>(100)</u>
Net difference	<u>\$ (1,375)</u>

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
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The net revenues of certain activities of internal service funds are reported with governmental activities. The details of this difference are as follows (in thousands):

Change in net assets as reported in the internal service funds	\$ 17,963
Activities of internal service funds related to enterprise funds are allocated to business-type activities, resulting in a negative internal balance in governmental activities	<u>(4,997)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 12,966</u>

NOTE 4 – CASH AND INVESTMENTS

Cash and Investments as of September 30, 2006 are classified in the accompanying financial statements as follows (in thousands):

Statement of net assets:	
Cash and investments in City pool	\$ 1,438,524
Cash and investments held by bond trustee	<u>272,094</u>
Total cash and investments	<u>\$ 1,710,618</u>

Cash and Investments as of September 30, 2006 consist of the following:

Cash on hand	\$ 26,811
Outstanding Checks	(18,043)
Investments	<u>1,701,850</u>
Total cash and investments	<u>\$ 1,710,618</u>

A reconciliation of the cash, cash equivalents and investments between the basic financial statements and the fair value of the investment portfolio at September 30, 2006 is as follows (in thousands):

	Primary Government				Component Unit
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total	
Pooled Cash and Cash Equivalents	\$ 282,342	\$ 702,062	\$ 10,954	\$ 995,358	\$ -
Non-Pooled Cash and Cash Equivalents	149,883	34	5,447	155,364	14,478
Non-Pooled Investments	10,000	603	-	10,603	-
Restricted Assets:					
Pooled Cash and Cash Equivalents	10,676	431,547	943	443,166	-
Non-Pooled Cash and Cash Equivalents	12,357	43,006	-	55,363	19,036
Non-Pooled Investment	-	50,764	-	50,764	-
Total Deposits and Investments	<u>\$ 465,258</u>	<u>\$ 1,228,016</u>	<u>\$ 17,344</u>	<u>\$ 1,710,618</u>	<u>\$ 33,514</u>

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
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Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized by the City's investment policy. The table also identifies certain provisions of the City's investment policy that address interest rate risk, credit risk, and concentration of credit risk. This table does not address debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provision of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Bonds issued by the City	5 years *	30%	None
U.S. Treasury notes, bonds, or bills	5 years *	None	None
Registered state warrants or treasury notes or bonds of the State of California	5 years *	30%	None
Local Agency Bonds	5 years *	30%	None
Federal agency securities	5 years *	None	None
Bankers Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years *	30%	10%
Time Certificates of Deposit	5 years *	100%	10%
Repurchase Agreements	90 days	100%	None
Reverse Repurchase Agreements	92 days	20%	None
Securities Lending Program	92 days	20%	None
Medium-Term Notes	5 years *	30%	10%
Money Market Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	None	\$40 million per account
Asset-backed Securities	5 years	20%	None
Mortgage-backed Securities	5 years	20%	None

* Maximum maturity of five (5) years unless a longer maturity is approved by the City Council, either specifically or as part of an investment program, at least three (3) months prior to purchase.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming closer to maturity evenly over time as necessary to provide cash flow and liquidity needed for operations.

CITY OF LONG BEACH
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The following schedule indicates the interest rate risk of the City's investments as of September 30, 2006 (in thousands):

Investment Type		Weighted Average Maturity (in years)
Inter-Department Loan (Health Savrs)	\$ 3,297	12.600
U.S. Treasury Notes	214,467	1.542
Federal agency securities	1,042,876	1.572
Medium-Term Notes	33,464	1.609
Short-term Commercial Paper	132,731	0.013
Local Agency Investment Fund (LAIF)	2,921	0.003
Subtotal City Pool	1,429,756	
Cash on Hand	26,811	
Outstanding Checks	(18,043)	
Total City Pool	\$ 1,438,524	
Guaranteed Investment Contracts	\$ 187,737	-
Money Market Funds	70,803	-
Time Certificates of Deposit	10,000	1.00
City Bonds	3,168	-
Local Agency Investment Fund (LAIF)	386	0.49
Total held by Bond Trustees	\$ 272,094	

Investments with Fair Values Highly Sensitive to Interest Rate Risk

The City had no investments that were highly sensitive to market interest rate changes as of September 30, 2006. Highly sensitive investments are investments whose sensitivity to market interest rate fluctuations are not fully addressed by use of one of the five methods for reporting interest rate risk.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the City's investment policy, and the actual rating as of year end for each investment type (in thousands):

Rating as of Year End								
Investment Type		Minimum Legal Rating	Not Required To Be Rated	A-1+	A-1	AAA	AA-	Unrated
Inter-Department Loan (Health Savrs)	\$ 3,297	N/A	\$ 3,297	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Notes	214,467	N/A	214,467	-	-	-	-	-
Federal agency securities	1,042,876	N/A	-	-	-	1,042,876	-	-
Medium-Term Notes	33,464	A	-	-	-	28,445	5,019	-
Short-term Commercial Paper	132,731	N/A	-	75,773	56,958	-	-	-
Local Agency Investment Fund (LAIF)	2,921	N/A	2,921	-	-	-	-	-
Subtotal City Pool	1,429,756		220,685	75,773	56,958	1,071,321	5,019	-
Cash on Hand	26,811		-	-	-	-	-	26,811
Outstanding Checks	(18,043)		-	-	-	-	-	(18,043)
Total City Pool	\$ 1,438,524		\$ 220,685	\$ 75,773	\$ 56,958	\$ 1,071,321	\$ 5,019	\$ 8,768

Rating as of Year End								
Investment Type		Minimum Legal Rating	Not Required To Be Rated	A-1+	A-1	AAA	AA-	Unrated
Guaranteed Investment Contracts	\$ 187,737	N/A	\$ 187,737	\$ -	\$ -	\$ -	\$ -	\$ -
Money Market Funds	70,803	N/A	70,803	-	-	-	-	-
Time Certificates of Deposit	10,000	N/A	-	-	-	-	-	10,000
City Bonds	3,168	N/A	-	-	-	3,168	-	-
Local Agency Investment Fund (LAIF)	386	N/A	-	-	-	-	-	386
Total held by Bond Trustees	\$ 272,094		\$ 258,540	\$ -	\$ -	\$ 3,168	\$ -	\$ 10,386

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of the City's total pooled investments are as follows (in thousands):

Issuer	Investment Type	Reported Amount
Federal Farm Credit Bank	Federal Agency Securities	\$ 181,052
Federal Home Loan Bank	Federal Agency Securities	241,246
Federal Home Loan Mortgage Association	Federal Agency Securities	266,937
Federal National Mortgage Association	Federal Agency Securities	353,641
U.S. Treasuries	U.S. Treasury Notes & bonds	214,467
Commercial Paper	Unsecured Corporate debt	132,731

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

All securities owned by the City are deposited in trust for safekeeping with a custodial bank different from the City's primary bank except for one City issued bond and investment in the State's Local Agency Investment Fund.

As of September 30, 2006, the City reports deposits of \$26,811,000 less \$18,043,000 for checks outstanding.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
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Included in LAIF's investment portfolio are mortgage-backed securities, loans to certain state funds, securities with interest rates that vary according to changes in rates greater than a one-for-one basis, and structured basis.

GASB 31

GASB 31 requires that certain investments and external investment pools be reported at fair value. At September 30, 2006 and 2005, the effect of valuating the City's investments at fair value did not have a material impact on its financial position.

Securities Lending

The City did not engage in any securities lending programs for the fiscal year ended September 30, 2006. However, from time to time, the City engages in limited securities-lending activities. These activities are governed by formal agreements with the City's contract bank. These agreements limit the nature and amount of the transactions, and provide for full collateralization of each transaction.

Component Unit

The Long Beach Transportation Company (LBT) is authorized to participate in the investments listed below, at June 30, 2006. The LBT elected to have all but \$500,000 of its investments with the Local Agency Investment Fund (LAIF). The remaining \$500,000 was invested in an overnight repurchase agreement.

	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Percentage in One Issuer
Local Agency Investment Fund (LAIF)	N/A	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Commercial Paper	270 days	10%	10%
Money Market Mutual Funds	N/A	None	None
Bankers Acceptances	180 days	40%	10%
Repurchase Agreements	90 days	None	None
Reverse Repurchase Agreements	92 days	20%	None
Mutual Funds	N/A	15%	10%
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Medium-Term Notes	5 years	30%	None
Mortgage Pass-through Securities	5 years	20%	None
Local Agency Bonds	5 years	10%	None

Component Unit Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of year end, the weighted average maturity of investments contained in the LAIF investment pool is approximately 133 days.

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
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Information about the sensitivity of fair values of the LBT's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment at June 30, 2006 (in thousands):

		<u>Maturity Date</u>
State Investment Pool (LAIF)	\$ 32,459	133 days average maturity
Repurchase Agreement (Overnight Sweep Account)	<u>500</u>	July 3, 2006
Total	<u>\$ 32,959</u>	

LBT also has cash on hand and deposits with financial institutions totaling \$555,000 which do not have interest rate risk.

Component Unit Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

Component Unit Concentration of Credit Risk

The investment policy of LBT contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represents 5% or more of total LBT investments.

Component Unit Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government code and LBT's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure government deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial Credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools, such as LAIF.

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 5 – RECEIVABLES

Receivables at September 30, 2006 for the City's individual major funds, and nonmajor and internal service funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows (in thousands). All receivables are expected to be collected within one year, except for delinquent property taxes.

	General	Housing Development	Community Development Grants	General Capital Projects	Redevelopment Capital Projects	Nonmajor Governmental Funds	Internal Service Funds	Total
Governmental Activities:								
Receivables:								
Interest	\$ 21	\$ 10	\$ -	\$ -	\$ 2,601	\$ -	\$ -	\$ 2,632
Taxes	3,452	-	-	-	-	-	-	3,452
Accounts, Unrestricted	24,661	1	-	47	360	3,794	10,096	38,959
Notes and Loans	2,266	-	-	-	-	-	-	2,266
Due from Other								
Governments	16,449	-	2,882	12,385	16	14,665	702	47,099
Total Receivables	46,849	11	2,882	12,432	2,977	18,459	10,798	94,408
Less Allowance for								
Receivables	(20,437)	-	-	-	-	(782)	(329)	(21,548)
Net Receivables	<u>\$ 26,412</u>	<u>\$ 11</u>	<u>\$ 2,882</u>	<u>\$ 12,432</u>	<u>\$ 2,977</u>	<u>\$ 17,677</u>	<u>\$ 10,469</u>	<u>\$ 72,860</u>
Business-Type Activities:								
	Gas	Water	Solid Waste Management	Tidelands	Tideland Oil Revenue	Harbor	Nonmajor Proprietary Funds	Total
Receivables:								
Interest, Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 576	\$ -	\$ 576
Interest, Restricted	-	-	-	247	-	-	35	282
Accounts, Unrestricted	3,684	5,319	9,653	6,926	43,734	47,784	2,428	119,528
Accounts, Restricted	-	-	-	-	-	-	291	291
Capital Lease-current	-	-	-	386	-	-	-	386
Other Receivables	-	-	-	-	-	-	64	64
Due from Other								
Governments	-	-	869	390	2	2,808	2,640	6,709
Total Receivables	3,684	5,319	10,522	7,949	43,736	51,168	5,458	127,836
Less Allowance for								
Receivables	(448)	(214)	(291)	(4,150)	-	(6,020)	(311)	(11,434)
Net Receivables	<u>\$ 3,236</u>	<u>\$ 5,105</u>	<u>\$ 10,231</u>	<u>\$ 3,799</u>	<u>\$ 43,736</u>	<u>\$ 45,148</u>	<u>\$ 5,147</u>	<u>\$ 116,402</u>

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2006 is as follows (in thousands):

<u>Due to / from Other Funds:</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Community Development Grants	\$ 1,806
	Redevelopment Capital Projects	3,325
	Nonmajor Governmental Funds	6,562
	Harbor	100
	Nonmajor Business-type Funds	70
	Internal Service Funds	292
Subtotal General Fund		12,155
Housing Development	Redevelopment Capital Projects	14
General Capital Projects	Community Development Grants	86
Redevelopment Capital Projects	Nonmajor Governmental Funds	303
Gas	Tidelands	698
Water	Harbor	70
Tidelands	Tideland Oil Revenue	1,554
	Harbor	14,402
Subtotal Tidelands		15,956
Harbor	Tideland Oil Revenue	153
Internal Service Funds	General	3,821
	Housing Development	19
	Community Development Grants	101
	General Capital Projects	50
	Redevelopment Capital Projects	31
	Nonmajor Governmental Funds	468
	Gas	180
	Water	250
	Solid Waste Management	120
	Tidelands	243
	Tideland Oil Revenue	56
	Harbor	634
	Nonmajor Business-type Funds	174
	Internal Service Funds	387
Subtotal Internal Service Funds		6,534
Total Due to / from Other Funds		35,969
<u>Advances from / to Other Funds:</u>		
General	Redevelopment Capital Projects	98,924
	Nonmajor Governmental Funds	2,000
Subtotal - General Fund		100,924
Housing Development	Redevelopment Capital Projects	20,800
Community Development Grants	Housing Development	3,819
	Nonmajor Governmental Funds	2,900
Subtotal - Community Development Grants		6,719
General Capital Projects	Redevelopment Capital Projects	1,615
Redevelopment Capital Projects	Tidelands	14,591
Gas	Tidelands	4,946
Harbor	Redevelopment Capital Projects	27,435
Nonmajor Business-type Funds	General Fund	8,114
Total Advances from / to Other Funds		185,144
Total Interfund Balances Entity-Wide		221,113
Less Amounts Eliminated in the Entity-Wide Basis Financial Statements		(216,660)
Entity-Wide Basis Financial Statement Internal Balances		\$ 4,453

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

Due To / Due From Other Funds

At September 30, 2006, the Redevelopment Capital Projects Fund owed the General Fund \$3,325,000 for an advance to fund estimated Redevelopment Agency operating costs prior to receiving tax increment revenues. It is intended that this advance will be paid in the next fiscal year as tax increment revenues are received.

The General Fund has advanced cash in the amount of \$4,848,000, \$1,714,000 and \$1,806,000 to the General Grants Fund, Health Fund and Community Development Grants Fund, respectively, to cover operating costs prior to receipt of grant funds from the Homeland Security grants, Health related grants, Federal Government Workforce Investment Act grant, Community Development Block Grant and various other grants.

The General Capital Projects Fund has advanced cash to the Community Development Grants Fund in the amount of \$86,000 to cover operating costs at September 30, 2006. The amount will be repaid in October 2006.

The City, under authority of the City Charter Chapter XII, Section 1209(c)(4), and with the approval of the Board of Harbor Commissioners adopted a resolution to transfer 10%, or \$14,222,000, of the Harbor Fund net income for fiscal year 2005 to the City's Tidelands Fund. This amount is recorded as a due to the Tidelands Fund and due from the Harbor Fund and will be paid quarterly in fiscal year 2007. The Harbor Fund recorded \$180,000 as due to the Tidelands Fund for services rendered.

Employee Benefits overhead costs, such as funding for health benefits and paid time off, relating to the wages and salaries accrued at September 30, 2006 are payable from various funds to the Employee Benefits Internal Service Fund in the amount of \$6,534,000 at September 30, 2006.

Advances from Other Funds

Advances to/from other funds have been recorded for amounts which will be repaid usually with interest over an extended period of time.

From 1974 to 2006, the City provided the Redevelopment Agency (the Agency) with certain Federal grant monies for use on redevelopment projects. The Agency makes discretionary payments to the City annually, which in fiscal year 2005 amounted to approximately \$1,418,000. At September 30, 2006, the outstanding balances of these advances totaled \$98,924,000, \$4,439,000 and \$1,615,000 in the General Fund, Housing Development Fund, and General Capital Projects Fund, respectively, with the latter being for land acquisition and planning and engineering services provided by the City. It is the intent of the City and the Agency that the Agency repay these transfers as future property tax increment revenues permit. Due to the long-term nature of repayment, the City has reserved these interfund receivables in the General Fund, Housing Development Fund and General Capital Projects Fund as fund balance reserved for noncurrent receivables.

The Agency has entered into a financing agreement with the Port of Long Beach (Harbor Fund), under which the Agency was advanced \$30,000,000 for the expansion of the Long Beach Convention and Entertainment Center. A payment of \$1,765,000 was made on the note by the Agency in November 1998. An amendment deferred payments to be made in quarterly installments of \$441,000 over 16 years, beginning in 2002.

**CITY OF LONG BEACH
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At September 30, 2006 and 2005, the balance of this advance is \$27,435,000. The note is payable solely from transient occupancy taxes levied in the Downtown Redevelopment Project area. The repayment to the Port is subordinated to a pledge to fund payments of the Lease Revenue Refunding Bonds (Aquarium of the Pacific Project) Series 2001 bond issue in the event that the Aquarium revenues do not cover debt service payments. This advance is reported in the Redevelopment Capital Projects Fund and the corresponding receivable is reported in the Harbor Fund.

At September 30, 2006, the Redevelopment Capital Projects Fund advanced \$14,591,000 to the Tidelands Fund. Such monies arose from Downtown Redevelopment area transient occupancy taxes transferred in the amount of \$3,685,000 for fiscal year 2006 and \$10,705,000 for fiscal years 2002 through 2005. The Redevelopment Agency shall be reimbursed for any such advance together with interest, at a rate of interest equal to the rate earned on the City Treasurer's Investment Pool, as monies are available. Interest in the amount of \$67,000 was accrued in fiscal year 2006 and \$134,000 from fiscal years 2002 through 2005. According to the Owner Participation Agreement by and among the Redevelopment Agency of the City of Long Beach, Long Beach Bond Finance Authority and the Aquarium of the Pacific, all Redevelopment Agency Fund transient occupancy taxes are pledged to fund the debt service payments of the Lease Revenue Refunding Bonds (Aquarium of the Pacific Project) Series 2001 if needed.

Community redevelopment law in the State of California requires that 20% of annual net property tax increment revenues be set aside for low- and moderate-income housing. The law allowed a deferral of such set aside under certain circumstances. In December 1995 the Agency adopted a Downtown Project Area Housing Fund Deficit Reduction Plan that called for an analysis of available tax increment and existing obligations beginning in 2010 and every two years thereafter until reduction of the deferred debt is found feasible. The resulting interfund receivable and offsetting non-current receivable reserved fund balance aggregating \$16,361,000 have been recorded as advances to/from other funds in the Housing Development Special Revenue Fund and the Redevelopment Agency Capital Projects Fund, respectively for the Downtown Project Area. For the fiscal year 2006 all seven of the Agency's redevelopment project areas paid their full allocation of the year's required 20% housing set aside.

In fiscal year 2001, the Housing Development Company entered into a \$4,000,000 zero interest loan agreement with the City for the acquisition of twenty-six parcels of land, each containing a four-plex apartment building for affordable rental housing for low and very low-income residents. The Company is required to make the principal payments to the City using 25% of the proceeds from repayments of promissory notes from the developer. Any remaining balance of the promissory note owed on April 1, 2034 shall be immediately due and payable. As of September 30, 2006 the Community Development Grants Fund advanced the Company \$3,819,000 which has been recorded as advances to/from other funds, respectively.

In November 1993, the City issued \$13,490,000 in Gas Utility Bonds (1993 Bonds) with interest rates ranging from 2.6% to 5.125% to construct an energy plant adjacent to the Long Beach Convention and Entertainment Center. This debt was refunded by the Long Beach Bond Finance Authority 2005 Revenue Bonds with interest rates ranging from 2% to 3.125%. This debt is funded by an annual payment from the Tidelands Fund in an amount necessary to cover the debt service requirements with respect to the Gas Utility Bonds.

**CITY OF LONG BEACH
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SEPTEMBER 30, 2006**

The long-term amount due at September 30, 2006 is \$4,946,000. The current amount due at September 30, 2006 is \$698,000.

In July 2004, the Community Development Grants Fund entered into a loan agreement with the Housing Authority Special Revenue Fund in the amount of \$2,900,000 to cover additional housing assistance payments which exceeded U.S. Department of Housing and Urban Development (HUD) funding. This has been recorded as advances to/from the respective funds.

The General Fund advanced the Health Special Revenue Fund \$2 million to cover initial costs associated with the Fund's inception. This debt has no anticipated repayment date.

In fiscal year 2006, the Subsidence non-major business-type fund advanced the General fund \$8,114,000 as a loan payable at \$500,000 per year starting in fiscal year 2007 at zero percent interest. This was allowed under State law passed in fiscal year 2004 to retain interest earned on that reserve for subsidence contingencies for the previous calendar year.

Interfund Transfers

The City regularly transfers current financial resources from one fund to another. At September 30, 2006 interfund transfers are as follows (in thousands):

	Transfers To:								Total Transfers Out
	General	Housing Develop- ment	Community Develop- ment Grants	General Capital Projects	Redevelop- ment Capital Projects	Nonmajor Govern- mental Funds	Tidelands	Internal Service Funds	
Transfers Out of:									
General	\$ -	\$ -	\$ 185	\$ 5,529	\$ -	\$ 2,028	\$ -	\$ -	\$ 7,742
Housing Development	-	-	12	-	5,741	-	-	-	5,753
Community Development Grants	30	1,335	-	1,411	-	99	-	-	2,875
General Capital Projects	-	-	-	-	-	325	-	-	325
Redevelopment Capital Projects	-	14	-	2,928	-	-	4,220	-	7,162
Nonmajor Governmental	13,321	-	-	1,703	-	-	984	484	16,492
Gas	17,002	-	-	-	-	-	-	-	17,002
Solid Waste Management	1,258	-	-	-	-	-	-	-	1,258
Tidelands Oil Revenue	-	-	-	-	-	-	18,163	-	18,163
Harbor	-	-	-	-	-	-	14,222	-	14,222
Internal Service Funds	2,979	-	-	-	-	-	-	-	2,979
Total Transfers In	<u>\$ 34,590</u>	<u>\$ 1,349</u>	<u>\$ 197</u>	<u>\$ 11,571</u>	<u>\$ 5,741</u>	<u>\$ 2,452</u>	<u>\$ 37,589</u>	<u>\$ 484</u>	<u>\$ 93,973</u>

The significant transfers include:

The General Fund transferred \$5,529,000 to the General Capital Projects Fund for ongoing projects such as City street and sidewalk construction, and City building improvements, maintenance and repairs. The Upland Oil Fund and Park Development Fund, included as non-major governmental funds, transferred \$690,000 and \$1,013,000, respectively, to the Capital Projects Fund for ongoing City park projects and other capital projects.

The General Fund transferred \$185,000 to the Community Development Grants Fund to provide a City-match to the Workforce Investment Act grant.

**CITY OF LONG BEACH
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The General Fund transferred \$699,000 to the General Grants Fund, included as a non-major governmental fund, as a City match for various federal and county grants.

The General Fund transferred \$1,329,000 to the Health Fund, included as a non-major governmental fund, to cover Health Fund indirect cost allocation charges incurred.

The Upland Oil Fund, included as a non-major governmental fund, transferred \$13,321,000 to the General Fund for royalties due the City.

The Community Development Grants Fund transferred \$1,411,000 to the General Capital Projects Fund for ongoing Americans with Disabilities Act modifications and projects.

The Community Development Grants Fund transferred \$1,335,000 to the Housing Development Fund pursuant to a sub-recipient agreement between the City and the Long Beach Housing Development Company. Under the agreement HUD has designated the City as a participating jurisdiction to receive an annual allocation of funds to facilitate the development of affordable rental housing and homeownership affordability through the acquisition, new construction, reconstruction, or moderate or substantial rehabilitation of affordable housing and to provide tenant-based rental assistance.

The Community Development Grants Fund transferred \$99,000 to the Business Assistance Fund, included as a non-major governmental fund, to provide a City-match to the Economic Development Administration (EDA) grant.

The Housing Development Fund transferred \$2,330,000 to the Redevelopment Agency Capital Projects Fund to provide funding of the Central project area (Atlantic Phase III and IV), that provides affordable residential units. Also, the Housing Development Fund transferred \$3,411,000 to the Redevelopment Agency Capital Projects Fund for payment of bond principal and interest payments related to Redevelopment Agency Housing Bonds.

The Redevelopment Capital Projects Fund transferred \$535,000 to the Tidelands Fund to partially fund the Convention Center energy plant, along with \$3,685,000 from transient occupancy taxes to partially fund the Aquarium of the Pacific debt.

The Redevelopment Capital Projects transferred \$2,928,000 to the General Capital Projects Fund for Central and North development projects.

The Gas Fund transferred \$17,002,000 to the General Fund as allowed by City charter.

The Solid Waste Management Fund transferred \$1,258,000 to the General Fund based on a Joint Powers Agreement between the City and the Los Angeles County Sanitation District Number 2 (District). Under the agreement, net remaining retained earnings over a required amount as stipulated in the agreement can be distributed equally between the District and the City.

The Harbor Fund accrued an operating transfer of \$14,222,000 due to the Tidelands Fund as allowed by the City Charter.

CITY OF LONG BEACH
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The Tidelands Oil Revenue Fund shares revenue from the tidelands oil operation under an optimized water flood program. In fiscal year 2006, \$18,163,000 was transferred to the Tidelands Fund from the Tidelands Oil Revenue Fund under this program.

Internal Service Fund transfers reflect cable franchise fee revenue from the General Services Internal Service Fund to the General Fund in the amount of \$2,979,000.

The Special Advertising and Promotion Fund, included as a non-major governmental fund, transferred \$984,000 of Convention Center \$1.00 parking surcharge to the Tidelands Fund. Future parking surcharge revenue will post directly to the Tidelands Fund, as it is restricted for use in the Tidelands area.

The Transportation Fund, included as a non-major governmental fund, transferred \$484,000 to the Internal Service Fleet Services Fund for the existing liquefied natural gas fueling station.

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2006 is as follows (in thousands):

Governmental Activities:	Balance at October 1, 2005	Increase	Decrease	Balance at September 30, 2006
Capital Assets not being Depreciated:				
Land	\$ 116,026	\$ 58	\$ (162)	\$ 115,922
Rights-of-way	2,806	78,505	-	81,311
Construction In Progress	76,710	35,591	(15,477)	96,824
Total Capital Assets not being Depreciated	195,542	114,154	(15,639)	294,057
Capital Assets being Depreciated:				
Buildings	237,018	4,782	(160)	241,640
Improvements Other than Buildings	54,360	3,591	-	57,951
Infrastructure	342,314	10,053	(1,093)	351,274
Machinery and Equipment	60,245	6,592	(302)	66,535
Automotive	81,455	9,127	(7,208)	83,374
Other Assets	30,719	-	-	30,719
Total Capital Assets being Depreciated	806,111	34,145	(8,763)	831,493
Less Accumulated Depreciation for:				
Buildings	(65,946)	(7,332)	66	(73,212)
Improvements Other than Buildings	(19,543)	(2,500)	-	(22,043)
Infrastructure	(178,678)	(10,921)	1,093	(188,506)
Machinery and Equipment	(41,130)	(7,847)	247	(48,730)
Automotive	(45,261)	(6,753)	6,982	(45,032)
Other Assets	(25,040)	(1,420)	-	(26,460)
Total Accumulated Depreciation	(375,598)	(36,773)	8,388	(403,983)
Total Capital Assets being Depreciated, Net	430,513	(2,628)	(375)	427,510
Governmental Activities Capital Assets, Net	\$ 626,055	\$ 111,526	\$ (16,014)	\$ 721,567

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

Depreciation has been charged to functions/programs of governmental activities as follows (in thousands):

Legislative and Legal	\$ 137
General Government	335
Public Safety	6,898
Public Health	291
Community and Cultural	5,413
Public Works	11,539
Capital Assets held by City's internal services funds allocated to various functions on a prorated basis based on their usage of the assets	12,160
Total governmental activities depreciation	<u>\$ 36,773</u>

Capital asset activity for business-type activities for the year ended September 30, 2006 is as follows (in thousands):

Business-type Activities:	Balance at October 1, 2005	Increase	Decrease	Balance at September 30, 2006
Capital Assets not being Depreciated:				
Land	\$ 898,540	\$ 64,080	\$ (51,988)	\$ 910,632
Rights-of-way	207,823	1,848	-	209,671
Construction In Progress	188,092	150,317	(119,685)	218,724
Total Capital Assets not being Depreciated	<u>1,294,455</u>	<u>216,245</u>	<u>(171,673)</u>	<u>1,339,027</u>
Capital Assets being Depreciated:				
Buildings	1,950,218	25,292	(12,173)	1,963,337
Improvements Other than Buildings	278,806	13,714	7,209	299,729
Infrastructure	939,508	14,943	(3,465)	950,986
Machinery and Equipment	22,301	1,200	(412)	23,089
Automotive	23,052	4,849	(3,038)	24,863
Total Capital Assets being Depreciated	<u>3,213,885</u>	<u>59,998</u>	<u>(11,879)</u>	<u>3,262,004</u>
Less Accumulated Depreciation for:				
Buildings	(750,118)	(93,592)	6,271	(837,439)
Improvements Other than Buildings	(132,357)	(7,644)	-	(140,001)
Infrastructure	(515,315)	(12,888)	2,768	(525,435)
Machinery and Equipment	(16,867)	(1,029)	782	(17,114)
Automotive	(18,127)	(1,834)	623	(19,338)
Total Accumulated Depreciation	<u>(1,432,784)</u>	<u>(116,987)</u>	<u>10,444</u>	<u>(1,539,327)</u>
Total Capital Assets being Depreciated, Net	<u>1,781,101</u>	<u>(56,989)</u>	<u>(1,435)</u>	<u>1,722,677</u>
Business-type Activities Capital Assets, Net	<u>\$ 3,075,556</u>	<u>\$ 159,256</u>	<u>\$ (173,108)</u>	<u>\$ 3,061,704</u>

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
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Depreciation has been charged to functions/programs of business-type activities as follows (in thousands):

Gas	\$	3,242
Water		7,922
Sewer		1,233
Airport		3,737
Solid Waste Management		4,474
Towing		9
Tidelands		15,729
Harbor		80,678
Total business-type activities depreciation	\$	<u>117,024</u>

Capitalized Interest

There was no capitalized interest in fiscal years 2006 and 2005.

Component Unit

Capital asset activity of the LBT for the year ended June 30, 2006 was as follows (in thousands):

	Balance at July 1, 2005	Increases	Decreases	Balance at June 30, 2006
Capital Assets not being Depreciated:				
Land	\$ 5,525	\$ -	\$ -	\$ 5,525
Construction in Progress	1,013	966	(537)	1,442
Total Capital Assets not being Depreciated	<u>6,538</u>	<u>966</u>	<u>(537)</u>	<u>6,967</u>
Capital Assets being Depreciated:				
Buildings and Improvements	31,232	639	-	31,871
Fleet	103,686	4,220	(12,726)	95,180
Communications Systems	6,186	392	-	6,578
Fare Collection System	1,914	4,004	(864)	5,054
Office, Shop and Garage Equipment	14,547	954	(118)	15,383
Passenger Facilities	5,070	1,334	(135)	6,269
Total Capital Assets being Depreciated:	<u>162,635</u>	<u>11,543</u>	<u>(13,843)</u>	<u>160,335</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(15,831)	(1,626)	-	(17,457)
Fleet	(46,666)	(10,780)	12,726	(44,720)
Communications Systems	(2,539)	(1,579)	-	(4,118)
Fare Collection System	(1,542)	(171)	864	(849)
Office, Shop and Garage Equipment	(12,655)	(861)	118	(13,398)
Passenger Facilities	(2,006)	(1,301)	135	(3,172)
Total Accumulated Depreciation	<u>(81,239)</u>	<u>(16,318)</u>	<u>13,843</u>	<u>(83,714)</u>
Total Capital Assets being Depreciated, Net	<u>81,396</u>	<u>(4,775)</u>	<u>-</u>	<u>76,621</u>
Total LBT Capital Assets, Net	<u>\$ 87,934</u>	<u>\$ (3,809)</u>	<u>\$ (537)</u>	<u>\$ 83,588</u>

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 8 – CHANGE IN LONG – TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2006, was as follows (in thousands):

	Balance at October 1, 2005	Additions	Reductions	Balance at September 30, 2006	Due Within One Year
<u>Governmental Activities:</u>					
Bonds Payable					
Revenue Bonds	\$ 242,685	\$ -	\$ (11,215)	\$ 231,470	\$ 9,290
Tax Allocation Bonds	355,444	35,045	(41,863)	348,626	7,812
Plus (less) deferred amounts:					
Premium	8,771	2,455	(836)	10,390	-
Discount	(2,476)	(230)	125	(2,581)	-
Refunding	(10,781)	(2,507)	1,970	(11,318)	-
Issuance costs	(11,713)	(1,316)	1,594	(11,435)	-
Total Bonds Payable	581,930	33,447	(50,225)	565,152	17,102
Notes Payable	11,971	285	(1,110)	11,146	215
Capital Leases	31,957	10,318	(7,144)	35,131	7,153
Police and Fire Annuities	32,962	1,523	(4,589)	29,896	-
Estimated Oil Field Abandonment Costs	5,000	100	-	5,100	-
Accrued Self-Insured Claims	134,112	7,841	(37,163)	104,790	19,010
Employee Benefits	69,476	7,046	(5,966)	70,556	6,200
Governmental Activities Long-Term Liabilities	<u>\$ 867,408</u>	<u>\$ 60,560</u>	<u>\$ (106,197)</u>	<u>\$ 821,771</u>	<u>\$ 49,680</u>
<u>Business-Type Activities:</u>					
Bonds Payable					
Revenue Bonds	\$ 1,409,610	\$ 50,785	\$ (92,755)	\$ 1,367,640	\$ 55,055
Plus (less) deferred amounts:					
Premium	55,796	122	(3,362)	52,556	-
Discount	(1,861)	(8)	474	(1,395)	-
Refunding	(26,930)	(3,514)	2,963	(27,481)	-
Issuance Cost	(19,073)	(716)	1,810	(17,979)	-
Total Bonds Payable	1,417,542	46,669	(90,870)	1,373,341	55,055
Certificates of Participation	15,025	-	(5,065)	9,960	785
Discount	(262)	-	83	(179)	-
Refunding	(652)	-	86	(566)	-
Issuance costs	(364)	-	184	(180)	-
Total Certificates of Participation	13,747	-	(4,712)	9,035	785
Notes Payable	82,167	24,370	(1,579)	104,958	1,578
Issuance costs	(351)	-	58	(293)	-
Total Notes Payable	81,816	24,370	(1,521)	104,665	1,578
Capital Leases	7,572	650	(2,103)	6,119	2,331
Due to State of California	105,983	153,107	(253,010)	6,080	5,470
Estimated Oil Field Abandonment Costs	328,700	14,400	-	343,100	-
Business-Type Activities Long-Term Liabilities	<u>\$ 1,955,360</u>	<u>\$ 239,196</u>	<u>\$ (352,216)</u>	<u>\$ 1,842,340</u>	<u>\$ 65,219</u>

CITY OF LONG BEACH
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NOTE 9 – BONDS PAYABLE

At September 30, 2006 bonded indebtedness consisted of the following (in thousands):

Description	Date Issued	Final Maturity	Range of Interest Rates*	Authorized and Issued	Outstanding at September 30, 2006
<u>GOVERNMENTAL ACTIVITIES</u>					
GENERAL CITY BONDS					
Long Beach Museum of Art Project	10/15/99	09/01/09	Variable	\$ 3,060	\$ 3,060
Belmont Shore Parking Meter	06/30/93	06/01/12	5.75%	1,680	1,025
Skylinks Golf	05/01/03	05/01/29	1.57%-6.3%	6,890	6,350
Parking Plaza Bonds	08/14/01	11/01/27	4.4%-5.375%	11,500	10,740
Public Safety Facility	03/01/02	11/01/31	3.0%-5.25%	40,915	40,105
Towne Center Site Refinancing	11/01/04	11/01/30	Variable	11,595	11,295
Total General City Bonds				<u>75,640</u>	<u>72,575</u>
REDEVELOPMENT BONDS					
Tax Allocation Bonds:					
1992 Multiple Series -					
Downtown Project Refunding	12/01/92	11/01/17	2.9% - 6.0%	81,020	36,475
West Long Beach Industrial	12/01/92	11/01/17	2.9% - 6.0%	36,470	16,425
2005A & B Central	03/02/05	08/01/40	3.52% - 5.34%	56,930	56,265
2005A Los Altos	03/02/05	08/01/20	2.2% - 4.0%	4,685	4,430
2005A & B North Long Beach	03/02/05	08/01/35	3.52% - 5.16%	64,080	63,050
2005A Poly High	03/02/05	08/01/24	3.79% - 4.9%	2,558	2,558
2005A West Beach	03/02/05	08/01/20	4.59% - 4.66%	840	840
2005B Housing	03/02/05	08/01/40	3.52% - 5.44%	55,665	55,020
2002B West Long Beach Industrial Project	12/05/02	11/01/24	2.0% - 5.5%	21,860	19,660
2002B Downtown	12/05/02	11/01/22	2.25% - 5.5%	25,920	22,615
2002A West Beach	06/25/02	08/01/18	5.15%	8,895	7,322
2002A Downtown Project	06/25/02	08/01/24	5.25% - 7.1%	26,820	16,651
2002A North Long Beach	06/25/02	08/01/31	6.10%	40,290	11,170
2002A Poly High	06/25/02	08/01/12	4.81%	1,710	1,120
2005C Downtown Project	02/01/06	08/01/24	3.25-5.50%	7,900	7,880
2005C North Long Beach Project	02/01/06	08/01/31	3.70-5.50%	27,145	27,145
Total Redevelopment Bonds				<u>462,788</u>	<u>348,626</u>
INTERNAL SERVICE BONDS					
Civic Center Fund:					
1997 Civic Center Project Series A	12/01/97	10/01/27	4.0% - 5.0%	43,655	36,385
Fleet Services:					
1998 Temple and Willow Facility Series B	05/01/98	10/01/27	4.5%-5.5%	29,565	25,215
2005 Temple and Willow Facility Series A	05/01/05	05/01/28	2.75-4.5%	8,145	7,830
Total Fleet Services				<u>37,710</u>	<u>33,045</u>
Employee Benefits Fund:					
Pension Obligation Refunding Bonds Series 2002	09/01/02	09/01/21	4.73% - 5.18%	87,950	73,250
Pension Obligation Bonds Series 1995	10/01/95	09/01/11	5.9% - 7.24%	108,635	16,215
Total Employee Benefits				<u>196,585</u>	<u>89,465</u>
Total Internal Service Funds				<u>277,950</u>	<u>158,895</u>
Total Governmental Activities Bonds Payable				<u>816,378</u>	<u>580,096</u>
<u>BUSINESS-TYPE ACTIVITIES:</u>					
ENTERPRISE BONDS					
Gas Fund:					
2005 Gas Utility	08/01/05	08/01/13	2.0% - 4.39%	7,675	6,500
Water Fund:					
1997A Water	10/01/97	05/01/24	4.0% - 5.75%	46,945	34,675
Solid Waste Management Fund:					
2003 SERRF	12/01/03	12/01/18	2.0%-5.375%	120,235	107,695
Tidelands Fund:					
Aquarium of the Pacific	05/03/01	11/01/30	3.875%-5.5%	129,520	129,520
1994 Marina Subordinate Revenue Bond	04/01/94	04/01/09	6.25%	1,310	370
1995 Marina Refunding Revenue Bond	11/01/95	01/15/08	3.85% - 5.15%	31,725	6,280
2006 Rainbow Harbor Refinancing	04/04/06	05/01/24	3.75%-5.00%	50,785	50,785
Total Tidelands Fund				<u>213,340</u>	<u>186,955</u>
Harbor Fund:					
1998 Harbor	02/01/98	05/15/19	5.25%-9.0%	206,330	155,865
2000 Harbor	05/15/01	05/15/25	5%-5.75%	275,000	248,085
2002 Harbor	06/19/02	05/15/25	Variable	300,000	274,565
2004 Harbor	05/15/04	05/15/18	2.5-5.0%	113,410	101,525
2005 Harbor	05/15/05	05/15/25	3.0-5.0%	257,975	251,775
Total Harbor Fund				<u>1,152,715</u>	<u>1,031,815</u>
Total Business-Type Activities Bonds Payable				<u>1,540,910</u>	<u>1,367,640</u>
Total Primary Government Bonded Indebtedness				<u>\$ 2,357,288</u>	<u>\$ 1,947,736</u>

* Interest on all bonded indebtedness is payable semi-annually, except the Long Beach Museum of Art Project, 2002 Harbor Bonds and Towne Center Site Refinancing Bonds which are paid monthly.

CITY OF LONG BEACH
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Debt service payments to maturity for governmental activities bonds are as follows (in thousands):

Year-End	Principal Payments - Governmental Activities										Total Annual Debt Service Requirements		
	Museum of Art Project	Belmont Shore Parking Revenue	Skylinks Golf	Parking Plaza	Public Safety Facility	Towne Center Refinance	Redevelopment Capital Projects	Civic Center	Fleet	Employee Benefits	Principal	Interest	Total
2007	\$ -	\$ 155	\$ 145	\$ 280	\$ 835	\$ 165	\$ 7,812	\$ 1,015	\$ 865	\$ 5,830	\$ 17,102	\$ 29,917	\$ 47,019
2008	-	165	150	290	860	180	8,252	1,060	900	6,360	18,217	29,050	47,267
2009	3,060	175	160	305	885	190	8,672	1,110	945	6,935	22,437	28,108	50,545
2010	-	185	165	320	910	205	9,130	1,165	980	7,565	20,625	28,976	47,601
2011	-	195	175	335	945	220	9,593	1,225	1,025	8,255	21,968	25,867	47,835
2012 - 2016	-	150	1,010	1,930	5,430	1,380	56,797	7,140	5,925	23,860	103,622	113,085	216,707
2017 - 2021	-	-	1,350	2,500	6,995	1,980	70,713	9,170	7,605	30,660	130,973	83,336	214,309
2022 - 2026	-	-	1,810	3,230	9,035	2,865	67,118	11,770	9,620	-	105,448	50,681	156,129
2027 - 2031	-	-	1,385	1,550	11,545	4,110	46,309	2,730	5,180	-	72,809	27,645	100,454
2032 - 2036	-	-	-	-	2,665	-	39,420	-	-	-	42,085	12,406	54,491
2037 - 2041	-	-	-	-	-	-	24,810	-	-	-	24,810	3,320	28,130
Totals	\$ 3,060	\$ 1,025	\$ 6,350	\$ 10,740	\$ 40,105	\$ 11,295	\$ 348,626	\$ 36,385	\$ 33,045	\$ 89,465	\$ 580,096	\$ 430,391	\$ 1,010,487

The Long Beach Museum of Art Project principal of \$3,060,000 is due September 1, 2009. Interest is payable monthly at variable interest rates. Rates for fiscal year 2006 ranged from 2.53% to 3.78%. For purposes of illustration a fixed rate of 3.56% has been used in the table above.

In August 2003, the City issued \$6,890,000 in Long Beach Bond Finance Authority Lease Revenue bonds, Skylinks Golf Course Project, Series 2003. The bonds were issued to finance improvements to the Skylinks Golf Course, a municipal golf course owned by the City, to fund a reserve account and to pay certain costs of issuance on the Series 2003 bonds. Interest rates range from 1.57% to 6.30%.

In January 2004 the City issued \$11,595,000 in Long Beach Towne Center Site Refinancing Project Taxable Variable Rate Demand Revenue Bonds, 2004 Series A. The bonds were issued to prepay a note issued by the U.S. Department of the Navy, the proceeds of which were used to acquire a parcel of real property located in the City of Long Beach, which, with two adjacent parcels, was developed by the City into a retail/entertainment complex known as the Long Beach Towne Center, and to pay certain costs of issuance of the bonds. Interest rates for fiscal year 2006 ranged from 3.66% to 5.47%. For the purpose of illustration, a fixed rate of 5.47% has been used in the table above.

In February 2005, the City issued \$192,433,000 in Long Beach Bond Finance Authority Bonds 2005 Series A Revenue Bonds and Series B Taxable Revenue Bonds. The bonds were issued to provide funds to finance certain redevelopment projects of the Redevelopment Agency (Agency), to finance certain housing projects of the Housing Authority, refinance certain indebtedness of the Agency, and to fund reserve accounts and pay costs of issuance of the Series 2005 Bonds. The interest rates range from 2.0% to 5.44%. Current refunding and defeasement of the refunded 1993 Gas Utility Bonds was included in this issue. The Series 2005 bonds for the Gas Utility Refunding in the amount of \$7,675,000 are payable through August 1, 2013 with a total debt service of \$8,678,000 with interest rates ranging from 2.0% to 3.125%. The refunding issue resulted in an accounting gain of approximately \$50,000 which will be recognized over the life of the bonds. Aggregate debt service decreased by \$908,000, thereby resulting in an economic gain of approximately \$474,000.

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In December 2005, the City remarketed the City of Long Beach, California Taxable Pension Obligation Refunding Bonds, Series 2002A and Series 2002B. The Series 2002A Bonds in the aggregate principal amount of \$38,300,000 and the Series 2002B Bonds in the aggregate principal amount of \$38,250,000 were remarketed on December 30, 2005 in connection with the conversion of such Series 2002A Bonds and Series 2002B Bonds from bearing interest at auction rates to bearing interest at fixed interest rates to maturity. Additionally, on December 30, 2005, \$1,200,000 aggregate principal amount of the Series 2002A Bonds and \$1,200,000 aggregate principal amount of the Series 2002B Bonds (which were not being remarketed) were redeemed by the City. The interest rates range from 4.73% to 5.18%.

Annual principal payment requirements to maturity for business-type activities revenue bonds and the funds from which payments will be made are as follows (in thousands):

Year-End	Principal Payments by Fund -- Business-Type Activities					Total Annual Debt Service Requirements		
	Gas	Water	Solid Waste Management	Tidelands	Harbor	Principal	Interest	Total
2007	\$ 905	\$ 1,210	\$ 6,540	\$ 8,065	\$ 38,335	\$ 55,055	\$ 66,765	\$ 121,820
2008	925	1,265	6,690	8,390	40,090	57,360	64,309	121,669
2009	940	1,330	6,860	5,445	42,150	56,725	61,810	118,535
2010	970	1,405	7,050	5,515	44,355	59,295	59,207	118,502
2011	990	1,480	7,305	5,740	46,715	62,230	56,384	118,614
2012 - 2016	1,770	8,655	42,230	32,710	266,330	351,695	231,388	583,083
2017 - 2021	-	11,185	31,020	39,385	294,200	375,790	132,777	508,567
2022 - 2026	-	8,145	-	41,610	239,015	288,770	51,633	340,403
2027 - 2031	-	-	-	40,095	20,625	60,720	6,313	67,033
Totals	<u>\$6,500</u>	<u>\$34,675</u>	<u>\$ 107,695</u>	<u>\$186,955</u>	<u>\$1,031,815</u>	<u>\$ 1,367,640</u>	<u>\$ 730,586</u>	<u>\$2,098,226</u>

The Harbor 2002 Series A Bonds interest rate through May 14, 2004 was 4%. At the end of the initial long-term interest rate period the Series A bonds converted to a variable rate. The initial variable rate was 1.15% and the average variable rate was 3.25% through September 30, 2006. Harbor 2002 Series B Bonds interest rates range from 3.00% to 5.50%. Harbor 2002 Bonds debt service requirements to maturity for the purpose of illustration are based on 4% in the table above.

Advance Refundings

During the fiscal year ended September 30, 2006, the City advance refunded debt issues in order to take advantage of declining interest rates, to provide additional capital for related projects and/or to extend the term of the bonds.

In November 2002, the Redevelopment Agency (Agency) of the City of Long Beach issued \$47,780,000 in Long Beach Bond Finance Authority Tax Allocation Revenue Bonds Downtown and West Long Beach Industrial Redevelopment Project Areas 2002 Series B bonds (Series B bonds). These 2002 Series B bonds were issued to current refund \$25,670,000 of the outstanding Series 1992A Downtown and West Long Beach Industrial Bonds with interest rates ranging from 2.9% to 6.0%, to repay certain amounts owed by the Agency to the Port of Long Beach, to make a deposit to the reserve account and to pay certain issuance costs for the 2002 Series B bonds. The 2002 Series B interest rates range from 2.0% to 5.5% for the West Long Beach Industrial Project and 2.25% to 5.5% for Downtown Project.

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In January 2006, the Redevelopment Agency (Agency) of the City of Long Beach issued \$35,045,000 in Long Beach Bond Finance Authority Tax Allocation Revenue Bonds Downtown and North Long Beach Redevelopment Project Areas 2005 Series C bonds (Series C bonds). These 2005 Series C bonds were issued to purchase a portion of the outstanding Redevelopment Agency of the City of Long Beach 2002 Subordinate Tax Allocation Bonds (Downtown Redevelopment Project) and the outstanding Redevelopment Agency of the City of Long Beach 2002 Tax Allocation bonds (North Long Beach Redevelopment Project) in order to advance refund a portion of the outstanding Long Beach Bond Finance Authority Tax Allocation Revenue Bonds (Downtown, North Long Beach, Poly High and West Beach Redevelopment Project Areas) 2002 Series A and to finance certain redevelopment projects within or of benefit to the Downtown Project Area. The interest rates for the Series C bonds range from 3.25% to 5.50%.

In August 2005, the Long Beach Financing Authority issued \$8,145,000 in Lease Revenue Bonds 2005 Series A (Temple and Willow Facility Refinancing Project) to refinance the cost of a new fleet services, towing and lien sales operations and integrated resource operations facility, purchase a reserve surety bond and pay costs of issuance on the bonds. The 2005 Series A bonds are payable through May 1, 2028 with a total debt service in the amount of \$12,959,000. The interest rates range from 2.75% to 4.50%. The refunding resulted in an accounting loss of \$598,000 which will be recognized over the life of the bonds. Aggregate debt service decreased by \$316,000, thereby resulting in an economic gain of \$333,000.

Southeast Resource Recovery Facility Authority Bond Issue

The Southeast Resource Recovery Facility Authority (Authority) issued \$120,235,000 in lease revenue bonds Series A and Series B in October 2003 (Series 2003) to current refund the Authority's Lease Revenue Refunding Bonds, Series 1995A and Series 1995B (Series 1995), finance certain public improvement projects in the City, fund a reserve fund for the Series 2003 Bonds and pay certain costs of issuance. The Series 2003 bonds are payable through December 1, 2018 with a total debt service in the amount of \$170 million. The 2003 Bonds have interest rates ranging from 2.0% through 5.375%. The refunding issue resulted in an accounting loss of approximately \$2,109,000, which will be recognized over the life of the bonds. Aggregate debt service increased by approximately \$4.9 million over the next fifteen years to level overall debt service requirements, thereby resulting in an economic loss of approximately \$6.4 million.

Tidelands Rainbow Harbor Refunding Bonds

In March 2006, the Long Beach Bond Finance Authority issued \$50,785,000 in Lease Revenue Bonds 2006 Series A (Rainbow Harbor Refinancing Project) (2006 Series A) to refinance costs of improvements in the Rainbow Harbor area of the City of Long Beach including the refunding of the Long Beach Bond Finance Authority Lease Revenue Bonds (Rainbow Harbor Refinancing Project) 1999 Series A, to refinance the costs of a portion of the 1,471 parking garage at 200 Shoreline Drive including the refunding of the 1997 Certificates of Participation (Queensway Bay Parking Facility), and to fund a reserve fund and pay costs of issuance for the bonds. The 2006 Series A bonds are payable through May 1, 2024 with total debt service in the amount of \$73,235,000. The interest rates range from 3.375% to 5.00%. The refunding resulted in an accounting loss of \$3,514,000 which will be recognized over the life of the bonds. Aggregate debt service decreased by \$2,184,000, thereby resulting in an economic gain of \$1,497,000.

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Harbor Revenue Refunding Bonds

In March 2004, the City issued the City of Long Beach Harbor Revenue Refunding Bonds 2004 Series A and Series B bonds amounting to \$113,410,000 to current refund and defease all of the City's Harbor Revenue Bonds Series 1993, pay a bond insurance premium, fund a reserve fund, and to pay certain costs of issuance. The current refunding resulted in a difference between the reacquisition price and net carrying amount on the old debt of \$1,446,000. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is amortized using the straight-line method over the life of the bonds. Aggregate debt service decreased by approximately \$13.9 million, thereby resulting in an economic gain of approximately \$9.7 million.

In March 2005, the City issued the City of Long Beach Harbor Revenue Refunding Bonds Series 2005A & B (the 2005 Bonds), amounting to \$257,975,000 to current refund and to defease all of the City's Harbor Revenue Bonds Series 1995, to pay the premium for the Bond Insurance Policies, to fund a reserve for the Series 2005 Bonds, and to finance the costs of issuance of the Series 2005 Bonds. The current refunding resulted in a difference between the reacquisition price and net carrying amount on the old debt of \$4,214,000 which will be recognized over the life of the bonds. The aggregate debt service decreased by \$84,664,000 thereby resulting in an economic gain of approximately \$24,178,000.

In addition to the above advance refunding issue, the City previously advance refunded several other outstanding bond issues. Each of the refunding transactions resulted in an overall economic gain to the City by providing for a substantial savings in cash flow requirements to service the outstanding debts. For financial reporting purposes, however, such refunding transactions generally result in accounting losses. In accordance with generally accepted accounting principles in effect at the time of each transaction, such accounting losses were recognized by the City in the year of refunding and the corresponding economic gains are recognized by the City as they occur.

The proceeds from the City's refunding issues have been placed in irrevocable escrow accounts overseen by independent bank fiscal agents. Such proceeds have been generally invested in U.S. Treasury Securities, which together with interest earned thereon are intended to provide amounts sufficient for future payment of interest, principal and redemption premium on the refunded bonds. The refunded bonds have not been included as City outstanding long-term debt since the City's obligation thereon was satisfied by establishing the irrevocable trusts.

As of September 30, 2006, the total amount of the defeased debt outstanding and removed from the City's funds and account groups aggregated \$155,338,000.

Special Assessment Debt

The City serves as the facilitating agent for a number of no-obligation special assessment debt issues. Funding from these issues has been used to improve streets and other City infrastructure, as well as assisting City residents and businesses with the cost of major structural repairs and installation of seismic resistant improvements to their properties. The City has no obligation to service the debt on these special assessment

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issues; therefore, no liability has been recorded in the City's books for the special assessment debt.

The proceeds from special assessment debt issued for City infrastructure improvements are usually accounted for in the General Capital Projects Fund. The proceeds from special assessment debt issued for the Pike Public Improvements are accounted for in the Tidelands Fund. Special assessment revenues to repay the debt issues are being accounted for in Agency Funds.

At September 30, 2006, aggregate special assessment debt issued through the City consisted of six issues, summarized as follows:

• Dates Issued:	8/16/93 – 7/19/05
• Final Maturities:	10/01/13 – 10/01/32
• Range of Interest Rates:	2.625% – 9.75%
• Amounts Authorized and Issued:	\$3,000,000 – \$43,000,000
• Range of Amounts Outstanding:	\$415,000 – \$42,290,000
• Aggregate Outstanding at September 30, 2006:	\$77,630,000

Pike Public Improvements

In June 2002, the City of Long Beach Community Facilities District No. 6 2002 Special Tax Bonds (Pike Public Improvement Bonds) were issued in the amount of \$43,000,000 under the provisions of the Mello-Roos Community Facilities Act of 1982. The Pike Public Improvement Bonds were issued to finance a portion of the costs of the acquisition, construction, installation and equipping of various public capital improvements in the Pike Development Project adjacent to downtown Long Beach. A substantial portion of the proceeds were applied to finance the cost of a parking structure. The bonds do not constitute a debt of the City, therefore, no liability has been recorded in the City's books. The debt is payable from special tax revenues levied on the property within the district, except as described in Note 22.

Earthquake Assessment

In 1990, the City, acting on behalf of certain property owners, formed the Earthquake Repair Assessment District 90-3 (District). In June 1991, the District issued \$17,440,000 of City of Long Beach Earthquake Repair Assessment District No. 90-3 Limited Obligation Improvement Bonds (Bonds) for the construction and installation of seismic resistance improvements to eligible commercial and residential properties within the City. The principal and interest was to be paid from the annual collection of special assessments on property within the District. As of September 30, 1996, \$10,130,000 in bonds were outstanding. In September 1996, the Bond's Fiscal Agent determined that there were insufficient funds to make full payment of principal and interest due to significant delinquencies in payment of assessments. Under the provisions of the bond covenants, the City is required to commence judicial foreclosure proceedings upon delinquent assessments and to diligently pursue such foreclosure proceedings to completion. To date, the City has fulfilled its responsibility and will continue such action to ultimate resolution.

To structure a remedy for the default, the City formed the Long Beach Bond Financing Authority (LBBFA). The LBBFA divided District properties into performing and delinquent

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pools. The assessment revenue from each pool was then used as collateral for new LBBFA bonds sold in July 1997. Series A bonds (Series A) and Series B bonds (Series B) represent the performing pool and the delinquent pool, respectively. A breakdown of these pools is as follows:

<u>Bond</u>	<u>Maturity</u>	<u>Rate</u>	<u>Par Amount</u>
Series A	September 2, 2015	8.874% - 9.375%	\$ 5,900,000
Series B	September 2, 2015	11.300%	\$ 6,717,000

Series A was sold on the open market to private investors. The City purchased Series B. The proceeds from both series were used by LBBFA to purchase the original bonds as an investment. Assessment revenues from these investments were used to repay the new debt. As foreclosure proceedings were completed and the properties become performing, the Series B Bonds will be converted to Series A Bonds and sold to private investors.

In July 2005, the District sold \$2,100,000 in Series 2005A Bonds and \$1,249,000 Series B bonds. Series A was sold on the open market to private investors, the City purchased Series B bonds. The proceeds from the sale were used to fund an escrow to defease the 1997 Bonds.

Such bonds described above do not constitute indebtedness of the City. The City is in no way obligated for their repayment and is only acting on behalf of the bond owners in collecting the assessments and special taxes from the property owners, forwarding the collections to the bond owners and initiating foreclosure proceedings, when necessary. Accordingly, these special assessment bonds payable have been excluded from the accompanying basic financial statements.

Conduit Debt

The bond issues described below do not constitute general obligations of either the City, its Housing Authority (Authority) or the City's Redevelopment Agency (Agency). There is no legal or ethical obligation on the part of the City to make debt service payments on the conduit debt issues. Likewise the City has no responsibility for bond administration, as the issues are completely administered by independent trustees. Accordingly, these programs and issues have been excluded from the accompanying basic financial statements.

Several multifamily mortgage bonds have been issued under the auspices of the City's Authority and the Agency. These issues provided for the permanent financing and construction of apartment complexes. The resulting bonds are not obligations of the City of Long Beach and only constitute special limited obligations of the Authority and the Agency and are payable solely from the revenue and assets of the homeowner obtaining funding under this program.

The City has also allowed its name to be used in the issuance of Industrial Development Refunding Bonds to benefit a local university. These bonds are secured by the university's pledge of resulting assets.

Bonds have been issued in the City's name for land acquisition located in the City for a homeowners association. The bonds are payable from revenues of the condominium owners by way of lease payments and special assessments.

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Bonds have been issued in the City's name for Carnival Cruises to facilitate construction of a pier and wharf for a cruise line docking in the Tidelands area adjacent to the Queen Mary. The bonds are payable by a tariff assessed to Carnival Cruises.

The City has sponsored home mortgage revenue bonds to provide funds for the purchase of home mortgages secured by newly constructed and existing single family homes located in the City. These bonds are secured by a pledge of all receivables from single family mortgage loans purchased with the bond proceeds plus amounts held in the bond debt service accounts by the trustee for the issue.

At September 30, 2006, the City's Conduit Debt outstanding consisted of the following (in thousands):

Description	Final Maturity	Amount Authorized	Outstanding at September 30, 2006
Multi Family Mortgage Bonds			
Housing Authority	2028	\$ 12,500	\$ 12,500
Industrial Development			
Refunding Bonds	2023	11,620	9,740
Carnival Bonds	2022	32,100	29,635
Grisham Housing Bonds Series A	2035	2,340	2,326
Jamboree West Gate Home			
Mortgage Revenue Bonds	2037	11,000	9,129
Decro Multifamily Housing			
Revenue Bonds 2006A	2009	6,000	6,000
Total Conduit Debt		<u>\$ 75,560</u>	<u>\$ 69,330</u>

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**NOTE 10 – NOTES, CERTIFICATES OF PARTICIPATION, COMMERCIAL PAPER
NOTES AND OTHER LONG-TERM OBLIGATIONS**

At September 30, 2006, the City had several notes and installments payable, certificates of participation, commercial paper notes and other long-term obligations which consisted of the following (in thousands):

Description	Date Issued	Final Maturity	Range of Interest Rates	Authorized and Issued	Outstanding at September 30, 2006
<u>GOVERNMENTAL ACTIVITIES</u>					
<u>NOTES PAYABLE:</u>					
Health Fund					
Health Facility	04/22/05	04/22/19	Variable	\$ 3,586	\$ 3,297
Housing Development Fund:					
State of California	01/23/92	01/23/22	3%	1,016	1,016
California Housing Finance Agency	10/06/99	10/06/09	3%	1,200	969
California Housing Finance Agency	04/17/00	04/17/10	3%	800	670
California Housing Finance Agency	02/05/02	02/05/12	3%	600	444
California Housing Finance Agency	03/13/03	03/13/13	3%	1,300	1,158
Total Housing Development Fund				4,916	4,257
Redevelopment Capital Projects Fund:					
Los Angeles County	01/21/92	N/A	3.75%	2,142	2,142
West Broadway, LLC	06/03/04	06/18/09	6.0-8.0%	1,450	1,450
Total Redevelopment Capital Projects Fund				3,592	3,592
<u>ANNUITY OBLIGATION:</u>					
General Fund:					
Police and Fire Annuity	N/A	N/A	N/A	37,600	29,896
Governmental Activities Notes and Annuity Obligation				\$ 49,694	\$ 41,042
<u>BUSINESS-TYPE ACTIVITIES:</u>					
<u>NOTES PAYABLE:</u>					
Gas Fund					
Commercial Paper Notes	07/01/05	N/A	3.01-3.6%	7,755	7,755
Water Fund:					
Commercial Paper Notes	01/08/03	N/A	.95 - 3.4%	\$ 6,000	\$ 6,000
State Resources	06/30/88	06/30/08	4.0128%	2,000	230
Total Water Fund				8,000	6,230
Tidelands Fund:					
State of Calif DBAW/Seawalls	Var 1997	08/01/24	4.5%	1,285	969
State of Calif DBAW/Downtown Marina	08/01/83	08/01/11	4.5%	3,900	1,337
State of Calif DBAW/Downtown Marina	08/01/84	08/01/12	4.5%	3,500	1,549
State of Calif DBAW/Downtown Marina	08/01/85	08/01/12	4.5%	600	258
State of Calif DBAW/Shoreline Marina	08/01/82	08/01/10	4.5%	1,300	317
State of Calif DBAW/Shoreline Marina	04/17/02	08/01/32	4.5%	22,071	22,071
State of Calif DBAW/Los Cerritos Channel	08/01/81	08/01/08	4.5%	1,238	162
State of Calif DBAW/Basin 8	09/30/98	08/01/28	4.5%	2,650	2,439
State of Calif DBAW - Lighthouse	06/23/00	06/23/30	4.5%	700	618
Total Tidelands Fund				37,244	29,720
Harbor Fund:					
Commercial Paper Notes	03/01/94	N/A	3.52 - 3.55%	383,500	60,150
Nassir	09/21/94	09/12/08	6%	579	83
Total Harbor Fund				384,079	60,233
Airport Fund:					
Commercial Paper Notes	07/01/05	N/A	2.65-3.68%	15,000	1,020
<u>CERTIFICATES OF PARTICIPATION:</u>					
Airport Fund:					
1993 Airport Refunding	07/01/93	06/01/16	2.7-5.35%	16,815	9,960
Business-type Activities Notes and Certificates of Participation				\$ 468,893	\$ 114,918

N/A - Maturity date has not been established for these notes and annuities.

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Housing Development Fund Loan

The Housing Development Fund loan in the amount of \$1,016,000 at September 30, 2006 is payable at an interest rate of 3% to the State of California in January 2022. The Housing Development Fund has authorization to borrow \$3,900,000 from the California Housing Finance Agency at 3% interest rate. The Housing Development fund received \$3,878,000 from the California Housing Finance Agency. As of September 30, 2006, \$1,978,000 has been utilized for a revolving loan program for the acquisition and rehabilitation of multiple residential buildings for revitalization. The remaining amount of \$1,900,000 has been utilized for the acquisition and/or rehabilitation of multifamily rental units. As of September 30, 2006, \$969,000 is payable through 2009, \$670,000 is payable through 2010, \$1,158,000 is payable through 2013 and \$444,000 is payable through 2012.

Tax Increment Obligation

The Redevelopment Agency has an agreement to pay Los Angeles County 49.44% of tax increment generated by the Los Altos Area, payable commencing in 2020 at a simple interest rate of 3.75%. The tax increment due to the County at September 30, 2006 totaled \$2,142,000.

Debt Service requirements for governmental activities notes payable and the funds from which payments will be made are as follows (in thousands):

Year-end	Principal Payments By Fund			Annual Debt Service Requirements		
	Governmental Activities					
	Health Fund	Housing Development Fund	Redevelopment Capital Projects Fund	Principal	Interest	Total
2007	\$ 215	\$ -	\$ -	\$ 215	\$ 358	\$ 573
2008	219	-	-	219	349	568
2009	226	-	1,450	1,676	318	1,994
2010	233	1,639	-	1,872	205	2,077
2011	241	-	-	241	184	425
2012 - 2016	1,345	1,602	-	2,947	557	3,504
2017 - 2021	818	-	-	818	216	1,034
2022 - 2026	-	1,016	-	1,016	530	1,546
Indeterminant	-	-	2,142	2,142	2,075	4,217
Totals	<u>\$ 3,297</u>	<u>\$ 4,257</u>	<u>\$ 3,592</u>	<u>\$ 11,146</u>	<u>\$ 4,792</u>	<u>\$ 15,938</u>

No payment dates have been established for the Redevelopment Capital Projects Fund notes payable of \$2,142,000; therefore, no interest has been listed in the above table.

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Business-Type Activities

Future debt service payments under various notes payable for the City's business-type activities are as follows (in thousands):

Year-end	Principal Payments By Fund					Annual Debt Service Requirements		
	Business-Type Activities					Principal	Interest	Total
	Gas	Water	Tidelands	Harbor	Airport			
2007	\$ -	\$ 143	\$ 1,394	\$ 41	\$ -	\$ 1,578	\$ 1,197	\$ 2,775
2008	-	87	1,301	42	-	1,430	1,279	2,709
2009	-	-	1,273	-	-	1,273	1,215	2,488
2010	-	-	1,331	-	-	1,331	1,159	2,490
2011	-	-	1,303	-	-	1,303	1,099	2,402
2012 - 2016	-	-	4,282	-	-	4,282	4,801	9,083
2017 - 2021	-	-	4,919	-	-	4,919	3,815	8,734
2022 - 2026	-	-	5,967	-	-	5,967	2,607	8,574
2027 - 2031	-	-	6,565	-	-	6,565	1,206	7,771
2032 - 2036	-	-	1,385	-	-	1,385	62	1,447
Indeterminant	7,755	6,000	-	60,150	1,020	74,925	-	74,925
Totals	<u>\$ 7,755</u>	<u>\$ 6,230</u>	<u>\$ 29,720</u>	<u>\$ 60,233</u>	<u>\$ 1,020</u>	<u>\$ 104,958</u>	<u>\$ 18,440</u>	<u>\$ 123,398</u>

In January 1987, the Water Department entered into a low-interest loan contract for \$2,000,000 with the State Water Resources Control Board for the purpose of funding the Reclaimed Water System Extension Project. The loan was funded in fiscal year 1988 and is payable in annual installments ranging from \$70,000 to \$143,000, at an interest rate of 4.0128% per year through January 2008. The balance outstanding at September 30, 2006 is \$230,000.

In October 2002, the Water Department authorized the issuance and sale of \$15,000,000 of City of Long Beach Subordinate Water Revenue Commercial Paper Notes Series A. Proceeds from the variable rate debt will be used for interim financing needs to assist with completing reclaimed water system expansion projects that are partially funded with Federal and State grants, and for ocean desalination research and development. On January 8, 2003, notes in the amount of \$6,000,000 were issued. Interest rates ranged from 0.95% to 3.40%. The Water Department intends to extend the notes to periods greater than one year, therefore, the outstanding amount has been classified as long-term obligations.

The Tidelands Fund entered into various loan agreements from August 1981 through September 2006 for construction and improvements to the Shoreline Marina, Downtown Marina, seawalls and a lighthouse with a harbor master's office, with an aggregate authorized and issued amount of \$37,244,000 as of September 30, 2006. The amount outstanding at September 30, 2006 is \$29,720,000. Annual principal payments in the amount of \$1,524,000 are currently in effect at an interest rate of 4.5%.

The Harbor Department authorized the issuance of up to \$383,500,000 in Commercial Paper notes. In 1994 the Harbor Department issued \$148,000,000 of Series A Commercial Paper Notes to pay for acquisition costs of property, facilities and oil rights in the North

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Harbor District. The Harbor Department redeemed \$12,850,000 of notes in 1997, and another \$75,000,000 in 2002. The amount outstanding at September 30, 2006 is \$60,150,000, with interest rates ranging from 3.52% to 3.55%. The Harbor Department also has other notes outstanding for \$82,667 at September 30, 2006. The Harbor Department has the ability to and intends to keep on extending the notes to periods longer than a year; accordingly, the outstanding amount has been classified as a long-term obligation.

Gas Commercial Paper

In July 2005, the City authorized the Department's issuance and sales, from time to time, of City's subordinate Gas Utility Revenue Commercial Paper Notes, Series A and Series B (taxable) in an aggregate principal amount not to exceed \$35,000,000. Commercial Paper is used for our pipeline integrity projects. The program termination date is July 1, 2020 unless earlier terminated or extended in accordance with program terms. As of September 30, 2006, \$7,755,000 in commercial paper notes has been issued with interest rates ranging from 3.01% to 3.6% in fiscal year 2006. Interest rates have ranged from 3.01% to 3.60% since its issuance. The Commercial Paper Note shall not have maturities exceeding 270 days and shall not bear interest rate in excess of the lesser of (a) 12% per annum and (b) the maximum rate of interest permitted by law. The Gas Department has the ability to and intends to keep on extending the notes to periods longer than a year; accordingly, the outstanding amount has been classified as a long-term obligation.

Airport Commercial Paper

On October 19, 2004, the City Council authorized the City's Public Works Department, Airport Bureau, to issue, on an as needed basis, up to \$15,000,000 of variable-rate, Airport Projects Commercial Paper Notes for short-term financing of qualified Airport capital projects. When issued, the net proceeds from the sale of the notes will be used to pay for projects that will be funded by Passenger Facility Charges (PFC) and FAA entitlement grants. As of September 30, 2006, \$1,020,000 in commercial paper notes had been issued with interest rates ranging from 2.65% to 3.68%. The Airport has the ability to and intends to keep on extending the notes to periods longer than a year; accordingly, the outstanding amount has been classified as a long-term obligation.

Certificates of Participation

The remaining debt service requirements for Certificates of Participation payable from the Airport Fund are as follows (in thousands):

Year-end	Annual Debt Service Requirements		
	Principal	Interest	Total
2006	\$ 785	\$ 505	\$ 1,290
2007	825	464	1,289
2008	870	421	1,291
2009	920	374	1,294
2010	965	328	1,293
2011 - 2015	5,595	867	6,462
Totals	<u>\$ 9,960</u>	<u>\$ 2,959</u>	<u>\$ 12,919</u>

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Police and Fire Annuity Obligation Program

The City administers a Police and Fire Annuity Program (Program) under the City Charter Section 187, prior to the programs termination in 1945. The terminated Program covers a diminishing number of public safety retirees or their surviving spouses. At September 30, 2006, there were 106 participants in this program.

Total expenditures to this closed group of individuals amounted to \$4,589,000 for the fiscal year ended September 30, 2006. The City's accrued Program liability was \$29,896,000 at September 30, 2006. Program benefits are funded when required to be paid. Accordingly, there are no assets of the Program.

The current year change in the accrued liability is comprised of the following (in thousands):

Accrued Program Liability at October 1, 2005	\$ 32,962
Increase (Decrease) During the Year Attributable to:	
Benefits Paid	(4,589)
Estimated Change in Annualized Value of Benefits	1,523
Accrued Program Liability at September 30, 2006	<u>\$ 29,896</u>

The number of Program participants diminishes each year. Since 1997, the number of program participants has been reduced by 99 individuals. The following table presents additional information for the Program (in thousands):

<u>Year-end</u>	<u>Number of Participants</u>	<u>Annuity Benefits Paid</u>	<u>Accrued Program Liability</u>
1997	205	\$7,783	\$61,207
1998	191	7,162	56,596
1999	181	7,093	57,500
2000	167	6,913	53,668
2001	157	6,641	51,222
2002	144	6,437	47,543
2003	131	5,865	40,948
2004	128	5,507	37,600
2005	109	4,966	32,962
2006	106	4,589	29,896

NOTE 11 – LEASING ARRANGEMENTS

Hyatt Long Beach Corporation Lease

In 1981, the City entered into a 50-year non-cancelable ground lease with a renewable term of 25 years, with a developer on certain Tideland properties held in trust by the City. The developer constructed a hotel and adjacent public facilities including a parking structure. In January 1995, the City renegotiated the agreements with the developer.

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Under the terms of the revised lease, the City will receive annual minimum ground lease rent of \$293,000, increased 10% every 5 years, plus 2.5% of the hotel's gross operating profit. Payment of these amounts is due 90 days after the close of the calendar year. The City accounts for the ground lease as an operating lease in the Tidelands Fund.

Concurrently, the developer leased the parking structure and public facilities to the City, a portion of which was sublet back to the developer. Under the terms of the lease, the City is obligated to pay the developer approximately \$2,855,000 per year through 2008, with incidental costs to be paid by the City thereafter. Subsequent to 2020, the City is not required to make any further lease payments. Under the terms of the sublease, the developer is obligated to pay the City approximately \$477,000 annually through 2008, with their proportionate share of the incidental costs thereafter.

The City has accounted for the lease and the sublease of the parking structure and public facilities as a capital lease payable and long-term lease receivable, respectively, in the Tidelands Fund using an interest rate of approximately 10%. At September 30, 2006, the outstanding capital lease payable and long-term lease receivable are \$5,470,000 and \$1,073,000, respectively.

Future debt service payments under this business-type activity capital lease payable and future minimum rentals to be received under this sublease are as follows (in thousands):

Fiscal Year-end	Debt Service Payments			Minimum Rentals
	Principal	Interest	Total	
2007	\$ 2,312	\$ 543	\$ 2,855	\$ 477
2008	2,509	346	2,855	477
2009	649	66	715	119
Totals	<u>\$ 5,470</u>	<u>\$ 955</u>	<u>\$ 6,425</u>	<u>\$ 1,073</u>

**CITY OF LONG BEACH
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Other Leases:

The City has various other capital leasing arrangements as follows (in thousands):

<u>Description</u>	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Range of Interest Rates</u>	<u>Authorized and Issued</u>	<u>Outstanding at September 30, 2006</u>
GOVERNMENTAL ACTIVITIES					
General Fund:					
Emergency Communications Center (a)	06/21/02	06/21/07	3.62%	\$ 4,000	\$ 858
Emergency Communications Center (a)	06/21/02	06/21/09	3.94%	9,125	4,217
Helicopter (b)	02/03/03	02/03/10	2.91%	2,785	1,397
Mobile Data Terminals (c)	11/10/05	11/10/09	3.37%	2,902	2,329
City Light and Power (d)	05/01/96	10/03/19	8.73%	18,500	15,631
Street Sweepers (e)	10/02/03	10/02/07	2.36%	2,922	756
Ambulances (f)	10/02/03	10/02/09	2.97%	993	519
Software Lease (g)	05/06/04	05/06/07	2.46%	400	49
Total General Fund				<u>41,627</u>	<u>25,756</u>
Internal Service Funds:					
Civic Center Fund:					
Sisco Lease (h)	07/17/96	01/17/07	6.07%	6,278	256
Fleet Services Fund:					
Fire Equipment Lease (i)	10/01/05	09/30/15	3.50%	5,279	4,830
General Services Fund:					
Personal Computers (j)	08/15/06	08/15/10	3.99%	2,137	2,096
Personal Computers (j)	04/23/03	04/25/07	3.64%	1,276	193
Personal Computers (j)	08/18/04	08/18/08	2.71%	997	471
IBM Mainline (k)	06/29/05	06/29/09	3.02%	2,183	1,529
Total General Services Fund				<u>6,593</u>	<u>4,289</u>
Total Governmental Activities Leases				<u>\$ 59,777</u>	<u>\$ 35,131</u>
BUSINESS-TYPE ACTIVITIES:					
Tidelands Fund:					
Convention Center (l)	10/01/05	10/01/26	4.99%	\$ 649	\$ 649

- (a) The City entered into capital lease agreements to purchase equipment for the Emergency Communications and Operations Center. The annual payment, including principal and interest, is \$2,386,000 which is paid annually through fiscal year 2009.
- (b) The City entered into a capital lease agreement to purchase a helicopter for use by the Police Department for safety enforcement. The lease is payable monthly in the amount of \$37,000 at 2.91% interest, or \$444,000 per year through February 2010.
- (c) The City entered into a capital lease agreement to purchase mobile data terminals for use by the Police Department. The lease is payable monthly in the amount of \$65,000 at 3.37% interest through fiscal year 2010.
- (d) The City entered into a capital lease agreement in May 1996 to improve and replace the street lighting infrastructure in the City. The lease is payable monthly; the amount varies by year, with the initial year at \$57,000 per month and the maximum amount for the sixth through twenty-fifth years at \$163,000 per month.
- (e) The City entered into a capital lease agreement in October 2003 for the acquisition of street sweepers, payable in monthly installments of \$63,800 through 2007.

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- (f) The City entered into a capital lease agreement in October 2003 to finance the replacement of ten advanced life-support ambulances. The lease is payable in monthly installments of \$15,000 through 2009.
- (g) The City entered into a capital lease agreement in May 2004 to purchase a legislative information management system. The lease is payable in monthly installments of \$11,500 through 2007.
- (h) The City entered into a capital lease to make energy conservation improvements to the Civic Center building. The monthly installments vary through January 2007 and do not exceed \$78,000 per month.
- (i) The City entered into a capital lease agreement to finance the acquisition of equipment for the Fire Department including two ladder trucks, ten pumper trucks and a life saving boat. The lease is payable in monthly installments of \$52,000 through September 2015.
- (j) The City entered into several capital lease agreements to finance the acquisition of personal computers. The leases are payable monthly through 2010, and the aggregate monthly payments are \$97,000.
- (k) The City entered into a capital lease to finance the purchase of IBM processors and related equipment. The lease is payable monthly in installments of \$48,000 through June 2009.
- (l) The City entered into a capital lease to finance the installation of a surface membrane to the Convention Center roof. The lease is payable in annual installments of \$52,000 through October 2026.

Aggregate future debt service payments under the City's governmental-activities various capital leases are as follows (in thousands):

Year-end	Principal Payments By Fund - Governmental Activities				Annual Debt Service Requirements		
	General	Civic Center	Fleet Services	General Services	Principal	Interest	Total
2007	\$ 4,939	\$ 256	\$ 465	\$ 1,493	\$ 7,153	\$ 1,926	\$ 9,079
2008	3,394	-	481	1,300	5,175	1,679	6,854
2009	3,584	-	549	976	5,109	1,458	6,567
2010	1,125	-	516	520	2,161	1,267	3,428
2011	918	-	535	-	1,453	1,158	2,611
2012 - 2016	5,947	-	2,284	-	8,231	4,118	12,349
2017 - 2021	5,849	-	-	-	5,849	870	6,719
Totals	<u>\$ 25,756</u>	<u>\$ 256</u>	<u>\$ 4,830</u>	<u>\$ 4,289</u>	<u>\$ 35,131</u>	<u>\$ 12,476</u>	<u>\$ 47,607</u>

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Annual debt service requirements to maturity for business-type activities capital leases are as follows (in thousands):

Year-end	Tidelands Fund		
	Principal	Interest	Total
2007	\$ 19	\$ 32	\$ 51
2008	21	32	53
2009	22	31	53
2010	23	29	52
2011	24	28	52
2012 - 2016	138	122	260
2017 - 2021	176	84	260
2022 - 2026	226	35	261
Totals	<u>\$ 649</u>	<u>\$ 393</u>	<u>\$ 1,042</u>

Future Rental Income Under Operating Leases

Aggregate minimum future rental income under non-cancelable operating leases having an initial term in excess of one year is as follows (in thousands):

<u>Year-end</u>	
2007	\$ 219,223
2008	216,320
2009	209,695
2010	197,357
2011	194,737
2012-2016	907,707
2017-2021	856,391
2022-2026	644,121
2027-2031	117,833
2032-2036	42,338
2037-2041	39,740
2042-2046	38,457
2047-2051	33,494
2052-2056	9,827
2057-2061	4,812
2062-2066	3,362
2067-2071	3,362
2072-2076	3,362
2077-2081	3,362
2082-2086	1,879
Total	<u>\$ 3,747,379</u>

NOTE 12 – RETIREMENT PROGRAMS

Plan Description

The City contracts with the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, including annual cost-of-living adjustments, and

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death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814. Since CalPERS is on a fiscal year ending June 30, all actuarial calculations for the City's retirement plan are made on a fiscal year ending June 30, which differs from the City's September 30 fiscal year end.

Under the terms of the contract between CalPERS and the City, all full-time employees are eligible to participate in CalPERS and become vested in the system after five years of service. The City has a multiple tier retirement plan with benefits varying by plan. Vested first and second tier safety employees who retire at age 50 are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 3% of the employee's highest paid year of employment for each year of credited service. Vested first and second tier non-safety employees who retire at age 55 are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.7% of their highest paid year of employment for each year of credited service for the first tier, and for the second tier effective in fiscal year 2004. The City created tier III for non-safety employees hired after October 1, 2006. Vested tier III non-safety employees who retire at age 55 are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% of their highest paid year of employment for each year of credited service.

The City amended its safety and miscellaneous retirement plans to create second tiers in fiscal year 1990 and a third tier for miscellaneous employees in fiscal year 1996. During fiscal year 2002 the third tier was eliminated and plan participants were absorbed into the second tier. A third tier was set up effective for fiscal year 2007. Retirees under the first tier are eligible to receive a maximum annual 5% cost-of-living increase in their retirement benefit, while those under the second and third tier are eligible to receive a maximum annual 2% cost-of-living increase.

Funding Policy

In November 1998, the City was informed by CalPERS that all of its retirement plans were overfunded based on the actuarial valuation completed as of June 30, 1997. Accordingly, the City's employer contribution rates were reduced by CalPERS to zero for all plans effective November 13, 1998. Participants were required to contribute 7% of their earnings for all miscellaneous and 9% for all police, fire and lifeguard employees. The City continued to make these employee contributions as required by CalPERS law through July 2, 1999 at which time it was informed by CalPERS that no further contributions were required. The City was overfunded through September 30, 2004 and was not required to pay CalPERS any employee or employer contributions for any of its plans through fiscal year 2004.

Contribution requirements of plan members and the City are established and may be amended by CalPERS. The City contribution payments to CalPERS for fiscal year 2006 for both Safety and Miscellaneous Plans was 15.100% and 11.325% respectively. The employee rate for Safety is 9%, miscellaneous tier one and two employee rate is 8% and miscellaneous tier three effective in fiscal year 2007 is 7%. Safety employees pay CalPERS 1% of the 9% employee rate and the City pays 8%. Miscellaneous employees paid 2% of the 8% to CalPERS and the City pays 6%. Management employees and certain

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employee groups who serve in sensitive, confidential capacities pay 1% of the 8% to CalPERS and the City pays 7%. Effective in fiscal year 2007 Safety will pay 2% of the 9% employee rate and all miscellaneous employees in tier one and two will pay 2% of the 8%. Miscellaneous employees in tier three will pay 2% of the 7% employee rate.

The funded normal cost rates are as follows:

Contribution Rates for Fiscal Year 2007

Employees Covered	Normal Cost	Amortization of Unfunded Liability	Total Employer Rate	Employee Rate *
Safety	17.912 %	(1.349) %	16.563 %	9%
Miscellaneous	10.121 %	1.891 %	12.012 %	8%
Miscellaneous (1)	10.121 %	1.891 %	12.012 %	7%

Contribution Rates for Fiscal Year 2006

Employees Covered	Normal Cost	Amortization of Unfunded Liability	Total Employer Rate	Employee Rate *
Safety	17.914 %	(2.814) %	15.100 %	9%
Miscellaneous	10.101 %	1.224 %	11.325 %	8%

* Miscellaneous employee rate increased to 8% from 7 % effective August 24, 2004.

(1) Tier three effective October 1, 2006.

Annual Pension Cost

A summary of principal assumptions and methods used to determine the annual required contribution rate for fiscal year 2006 for miscellaneous and safety employees is shown below.

	Assumptions
Valuation Date	June 30, 2004
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	32 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on age, service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%.

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Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. In the event that a plan's accrued liability exceeds the actuarial value of plan assets, the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the excess assets to payroll.

Three-Year Trend Information for CalPERS – Net Pension Obligation

(Unaudited) (In thousands)			
<u>September 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2004	--	100%	--
2005	\$48,147	100%	--
2006	58,763	100%	--

The City's contribution rate from July 1999 through fiscal year 2004 was zero, therefore there is no annual pension cost for fiscal year 2004.

Public Agency Retirement System – Defined Benefit Plan

In November 1994, the City established Public Agency Retirement System (PARS) Defined Benefit Plans for Special Status Contractors and Seasonal and Temporary Employees (The Plans). During fiscal year 2003, the plans were reported under a combined plan (The Plan). The Plan is a defined benefit, single employer retirement plan. The Plan, which took effect on January 1, 1995, is administered for the City through a third party administrator. The Plan provides for retirement as well as death and disability benefits to eligible individuals and their beneficiaries.

The Plan benefit is a lifetime monthly annuity equal to 1.50% times the final average of the participant's highest 36 consecutive month's salary times the years of service. The Plan requires employee contributions of 6.2% of earnings (Contractors Special Status) and 3.0% of earnings (Seasonal and Temporary Employees). All employees enter the Plan upon hire and all benefits are vested after 5 years of service (Contractors Special Status) or immediately (Seasonal and Temporary Employees) and employees are always vested in their employee contributions. It is assumed that upon termination, employees will choose to receive an actuarially equivalent lump sum (based on the actuarial assumptions described below).

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The City's funding policy is to make the contribution as determined by the Plan's actuary as of September 30, 2006. The following information describes the calculation methodology:

- The Plan's annual pension cost (APC) for the fiscal year ended September 30, 2006 is based on the period from October 1, 2005 to September 30, 2006. The APC for this period was \$30,179, the same amount contributed for this period.
- The actuarial liabilities and assets are valued as of September 30, 2006.
- The actuarial funding method used is the projected-unit-credit-method. Under this method the contribution rate is the sum of the normal cost rate plus the unfunded actuarial liability rate. The normal cost is defined as the actuarial present value of benefits allocated to the valuation year and the actuarial accrued liability is the present value of benefits allocated to all periods prior to the valuation year. The normal cost rate is determined by dividing the normal cost by expected covered payroll.

In determining the Plan's actuarial accrued liability, the projected benefit of each participant must be allocated between the past year and future years. This allocation is made by multiplying the projected benefit by a fraction, the numerator of which is the participant's total credited years of service on the valuation date, and the denominator is the participant's total credited years of service at anticipated benefit commencement.

The unfunded actuarial liability is the difference between the actuarial accrued liability and plan assets. This difference is amortized as a level dollar amount (over a seven year period in the 2005 actuarial valuation used to determine fiscal year 2006 Annual Pension Cost) to determine the unfunded actuarial liability rate.

The following is a summary of the actuarial assumptions:

Interest Rate:	4.50%																				
Mortality:	1983 Group Annuity Mortality Table																				
Turnover:	Sample rates are:																				
	<table><tr><td><u>Age</u></td><td><u>Turnover</u></td><td><u>Age</u></td><td><u>Turnover</u></td></tr><tr><td>25</td><td>15%</td><td>45</td><td>10%</td></tr><tr><td>30</td><td>15%</td><td>50</td><td>10%</td></tr><tr><td>35</td><td>15%</td><td>55</td><td>5%</td></tr><tr><td>40</td><td>15%</td><td>60</td><td>5%</td></tr></table>	<u>Age</u>	<u>Turnover</u>	<u>Age</u>	<u>Turnover</u>	25	15%	45	10%	30	15%	50	10%	35	15%	55	5%	40	15%	60	5%
<u>Age</u>	<u>Turnover</u>	<u>Age</u>	<u>Turnover</u>																		
25	15%	45	10%																		
30	15%	50	10%																		
35	15%	55	5%																		
40	15%	60	5%																		
	Seasonal and Temporary Employees' first five years of service assume the following rates:																				
	<table><tr><td><u>Years of Service</u></td><td><u>Turnover</u></td></tr><tr><td>0</td><td>50%</td></tr><tr><td>1</td><td>35%</td></tr><tr><td>2</td><td>25%</td></tr><tr><td>3</td><td>25%</td></tr><tr><td>4</td><td>20%</td></tr></table>	<u>Years of Service</u>	<u>Turnover</u>	0	50%	1	35%	2	25%	3	25%	4	20%								
<u>Years of Service</u>	<u>Turnover</u>																				
0	50%																				
1	35%																				
2	25%																				
3	25%																				
4	20%																				
Salary Scale:	5.0%																				
Retirement Age:	Age 65 or attained age, if older.																				
Form of Benefit:	Participants are assumed to receive a lump sum upon termination.																				

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The interest rate was changed for the 2006 valuation from 6.0% to 4.5%. The net impact of this assumption change increased the actuarial accrued liability by approximately \$73,000.

The net pension obligation information below is based on periods from July 1 through June 30 prior to 2005 and October 1 through September 30 beginning in 2005.

<u>Fiscal Year</u>	<u>Annual Pension Costs</u>	<u>Actual Contribution</u>	<u>Percentage Contribution</u>	<u>Net Pension Obligation</u>
1997	\$ 181,910	\$ 181,910	100%	-
1998	170,014	170,014	100%	-
1999	196,853	196,853	100%	-
2000	188,924	188,924	100%	-
2001	102,749	102,749	100%	-
2002	74,497	74,497	100%	-
2003	75,338	75,338	100%	-
2004	19,471	19,471	100%	-
2005	-	-	100%	-
2006	30,179	30,179	100%	-

NOTE 13 – POST RETIREMENT HEALTH CARE BENEFITS

Full-time City employees are entitled to receive up to 96 hours of sick leave per year. Unused sick leave may be accumulated until termination or retirement. No sick leave benefits are vested; however, under the provisions of the City's Personnel Ordinance, upon retirement, the City allows retirees, their spouses and eligible dependents to use the cash value at retirement of the retiring employee's accumulated unused sick leave to pay for health, dental and long-term care insurance premiums under the City's Retired Employees Health Insurance Program. Once the cash value of the retired employee's unused sick leave is exhausted, the retiree is required to pay all premiums. The City provided a one-time early retirement incentive of a maximum of \$25,000 for employees who retired during calendar year 1996. The amount of the incentive was based on age, and was credited to accumulated sick leave to be used towards health insurance costs during retirement. In fiscal year 2004, management was offered a 16 hour increase in sick leave per year of service for retirement by June 30, 2004.

At September 30, 2006, there were 769 participants in the City's Retired Employees Health Insurance Program, and the non-interest bearing cash value equivalent of the remaining unused sick leave for the current retirees totaled \$20,079,000. Total premiums paid by the City under the Retired Employees Health Insurance Program during the twelve months ended September 30, 2006, were \$5,527,000, and are included in the expenses of the Employee Benefits Internal Service Fund.

The City has recorded a liability in the Employee Benefits Internal Service Fund of \$70,556,000, based on an actuarial study of current and future retiree accumulated sick leave as of September 30, 2005 and updated as of September 30, 2006. The liability takes into account an estimate of future usage, additional leave accumulation and wage increases for both current retirees and active employees, and an additional amount relating to the sick

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leave incentive for employees who retired during calendar year 1996. The actuarial study assumes an investment return of 5.0%; wage increases of 3.5% per year for miscellaneous and 4.5% per year for safety employees, and insurance premium increases of 4.5%. The estimated current portion of such obligation of \$6,200,000, recorded in current accrued wages and benefits, has been fully funded; the long-term portion of the liability of \$64,356,000 is being funded, over time, through burden rates charged to the various City funds, applied as a percent of current productive salaries.

NOTE 14 – SELF – INSURANCE PROGRAMS

The City has adopted separate self-insurance programs for workers' compensation and general liability claims. At September 30, 2006, the City accrued nondiscounted estimates totaling \$104,790,000 for workers' compensation and general liability claims. This represents estimates of amounts to be paid for actual, and incurred but not reported claims based upon past experience, modified for current trends and developments. The City has no outstanding annuities payable. The City has recorded a current liability of \$19,010,000 and a long-term liability of \$85,780,000 in the Insurance Internal Service Fund.

The ultimate amount of losses incurred through September 30, 2006 is dependent on future developments. Based upon information from the City Attorney, outside counsel and others involved with the administration of the programs, the City's management believes that the aggregate accrual adequately represents such losses.

A summary of the City's claims activity for the fiscal year ended September 30, 2006 and 2005 is as follows (in thousands):

	Worker's Compensation Claims	General Liability Claims	Total
Balance at October 1, 2004	\$ 76,135	\$ 19,800	\$ 95,935
Additions	43,272	10,816	54,088
Payments	(13,595)	(2,316)	(15,911)
Balance at September 30, 2005	105,812	28,300	134,112
Additions (Reductions)	(1,837)	9,679	7,842
Payments	(13,685)	(23,479)	(37,164)
Balance at September 30, 2006	<u>\$ 90,290</u>	<u>\$ 14,500</u>	<u>\$ 104,790</u>

Component Unit

Under its insurance program, the LBT retains the risk for each occurrence of worker's compensation and public liability and property damage claimed up to \$3,000,000 and \$1,000,000, respectively. Claims in excess of \$3,000,000 for worker's compensation and \$1,000,000 for public liability and property damage are covered under policies in force with an independent insurer up to \$25,000,000 for workers compensation and \$10,000,000 for public liability and property damage. The amount of settlements for both worker's compensation and public liability and property damage did not exceed the insurance coverage limits in fiscal year 2006 and 2005.

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

The LBT's policy is to estimate and recognize losses on the accrual basis, including estimates of claims incurred but not reported, based on the report of the LBT's independent claims manager, and to maintain designated cash and investments to fund the estimated liabilities.

The changes in estimated liabilities for reported claims are as follows for the LBT (in thousands):

	Worker's Compensation	Public Liability and Property Damage	Total
Balance at July 1, 2004	\$ 2,700	\$ 1,688	\$ 4,388
Reserves:			
New claims	464	586	1,050
Adjustments to existing claims	1,547	166	1,713
Payments	<u>(2,497)</u>	<u>(1,647)</u>	<u>(4,144)</u>
Balance at June 30, 2005	2,214	793	3,007
Reserves:			
New claims	746	849	1,595
Adjustments to existing claims	52	1,895	1,947
Payments	<u>(716)</u>	<u>(2,542)</u>	<u>(3,258)</u>
Balance at June 30, 2006	<u>\$ 2,296</u>	<u>\$ 995</u>	<u>\$ 3,291</u>

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 15 – GOVERNMENTAL ACTIVITIES FUND BALANCE

The composition of the reserved portion of the governmental activities fund balance at September 30, 2006 is as follows (in thousands):

	General Fund	Major Governmental Funds Other than General Fund	Nonmajor Governmental Funds	Totals
Reserved for:				
Other Noncurrent Receivables (a)	\$ 100,924	\$ 31,046	\$ -	\$ 131,970
Asset Seizure Money (b)	2,463	-	-	2,463
Encumbrances	1,274	10,390	4,915	16,579
Future Advances to Other Funds - restricted by				
City Charter	1,486	-	-	1,486
Transportation Projects (c)	-	-	4,976	4,976
Housing Development - restricted by State law	-	104	-	104
Future Projects	-	114,814	20,788	135,602
Land Held For Resale	-	118,832	-	118,832
Estimated Oil Field Abandonment Costs	-	-	3,495	3,495
Debt Service Covenants	5,812	48,534	200	54,546
Totals	<u>\$ 111,959</u>	<u>\$ 323,720</u>	<u>\$ 34,374</u>	<u>\$ 470,053</u>

- (a) The reserve for noncurrent receivables represents long-term loan receivables and long-term advances to other funds not available to finance current expenditures because receipt is not anticipated in the near future since there is no specified repayment dates for these advances. The General Fund reserve for noncurrent receivables funds mainly consists of \$98,924,000 due from the Redevelopment Capital Projects Fund, based on a cooperative agreement in which the City agreed to advance funds to use on redevelopment projects. Debt service payments to the General Fund are expected as future property tax increment funds become available. At this time there is no repayment schedule. In addition, \$2,000,000 is due from the Health Fund for advances to cover cash flow. There is no repayment date for the Health Fund advance.

Other major governmental fund advances to other funds consist of \$20,800,000 due to the Housing Development Special Revenue Fund from the Redevelopment Capital Projects Fund, \$3,819,000 due to the Community Development Grants Fund from the Housing Development Special Revenue Fund and \$1,615,000 due to the General Capital Projects Fund from the Redevelopment Capital Projects Fund. Repayments depend on available future tax revenue increments. The Housing Assistance nonmajor governmental fund advance from the Community Development Grants Fund in the amount of \$2,900,000 is due to a loan for the purpose of meeting voucher obligations of the Authority under the HUD Section 8 Program. Repayment is dependent on HUD funding and no annual payments are required by the Authority to repay the loan.

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

The balance of \$1,912,000 mainly represents long-term notes receivable for the Redevelopment Agency and Housing Development Special Revenue Fund, which do not provide current available resources.

- (b) The reserve for asset seizure money comes from the sale of assets seized under probable cause in a criminal investigation. The resulting funds must be used to enhance criminal investigations, detection and prosecution, and shall not supplant the existing Police Department budget.
- (c) The reserve for transportation projects represents the fund balance of the Transportation Fund Special Revenue Fund which is restricted for use to specified transportation projects requiring advance approval of the Los Angeles County Transportation Commission.

Fund Deficits

The Internal Service Funds include accumulated deficits in the Insurance and Employee Benefits Internal Service Funds which aggregate \$90,922,000 and \$47,150,000, respectively. The City's Management believes the cash position is sufficient to cover the current costs related to retired health insurance, worker's compensation, general liability claims and current operating costs in the Insurance and Employee Benefits Internal Service funds. The City's Management intends to adjust billings to City departments as needed to ensure that adequate cash positions are maintained.

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 16 – RECONCILIATION OF ACTUAL REVENUES AND EXPENDITURES TO THE NON-GAAP BUDGETARY BASIS

The following reconciles actual revenues and expenditures for general fund and major special revenue funds to the non-GAAP budgetary basis for the fiscal year ended September 30, 2006 (in thousands):

	General Fund	Housing Development Fund	Community Development Fund
Beginning Fund Balance- Actual (GAAP Basis)	\$ 150,229	\$ 42,027	\$ 10,512
Cumulative Effect of Capitalization of Land Held For Resale at October 1, 2004	-	-	-
Beginning Fund Balance - Budgetary Basis	150,229	42,027	10,512
Revenues on the Budgetary Basis	325,311	18,705	26,770
Actual (GAAP-Basis) Expenditures	359,633	11,005	23,190
Basis Adjustments:			
Encumbrances Outstanding at September 30, 2005	1,274	-	26
Expenditures - Budgetary Basis	360,907	11,005	23,216
Excess of Revenues Over (Under) Expenditures - Budgetary Basis	(35,596)	7,700	3,554
Other Financing Sources (Uses) (GAAP-Basis)	31,530	(4,312)	(2,678)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses - Budgetary Basis	(4,066)	3,388	876
Ending Fund Balance - Budgetary Basis	\$ 146,163	\$ 45,415	\$ 11,388

The City's budget in any given fiscal year is incremented by the amount of encumbrances outstanding at the end of the prior fiscal year in accordance with City Council adopted ordinance.

NOTE 17 – SEGMENT INFORMATION FOR BUSINESS-TYPE ACTIVITIES FUNDS

The City has issued various revenue bonds to finance the purchase of the Aquarium of the Pacific, the Marina facilities and the Rainbow Harbor Area infrastructure improvements. Each of the revenue bonds is accounted for in the City's Tidelands Fund. Investors in the revenue bonds rely solely on the revenue generated by the individual activities for repayment.

The Aquarium of the Pacific 2001 Revenue Bonds, issued in the amount of \$129,520,000, are accounted for in the Tideland Operating segment. The Tideland Operating segment is used to account for the business-type operations of the Long Beach Convention and Entertainment Center, as well as beach maintenance and beach/water safety programs directly related to the tidelands area, including lifeguards and patrol boats. Beginning with the 1997 fiscal year, leases for areas adjacent to the Queen Mary were also

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

included in the Tideland Operating segment. The Tideland Operating segment had purchase of goods and services and construction project commitments of \$384,000.

The 1994 Marina Subordinate Revenue Bonds, issued in the amount of \$1,310,000 and the 1995 Marina Refunding Revenue bond issued in the amount of \$31,725,000 are accounted for in the Marina segment. The Marina segment is used to account for the enterprise operations of the City's Alamitos Bay and Downtown Marinas. The Marina segment had commitments of \$7,288,000 for the purchase of goods, services and construction.

The 1999 Rainbow Harbor Financing Project Revenue Bonds, issued in the amount of \$47,970,000, were accounted for in the Rainbow Harbor Area segment. In March 2006, the Long Beach Bond Finance Authority issued \$50,785,000 in Lease Revenue Bonds 2006 Series A (Rainbow Harbor Refinancing Project) (2006 Series A) which included debt in the amount of \$46,635,000 to refund the Long Beach Bond Finance Authority Lease Revenue Bonds (Rainbow Harbor Refinancing Project) 1999 Series A. The Rainbow Harbor Area segment is used to account for the Rainbow Harbor Area administration, the Rainbow Harbor financing and the Aquarium of the Pacific Parking Structure operations. The Rainbow Harbor Area segment had commitments of \$107,000 for the purchase of goods, services and construction.

The Parking Authority issued \$5,855,000 in Certificates of Participation to partially fund the Aquarium of the Pacific Parking Structure. In March 2006, the Long Beach Bond Finance Authority issued \$50,785,000 in Lease Revenue Bonds 2006 Series A (Rainbow Harbor Refinancing Project) (2006 Series A) which included debt in the amount of \$4,150,000 to refund the 1997 Certificates of Participation (Queensway Bay Parking Facility). Money from the parking structure built in the Rainbow Harbor Area segment is pledged for the debt service payment.

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

Summary financial information for each segment is presented below (in thousands) as of September 30, 2006:

<p style="text-align: center;">City of Long Beach Business-Type Activities Tidelands Fund Segments Statement of Net Assets September 30, 2006 (In Thousands)</p>			
	Tideland Operating	Marina	Rainbow Harbor Area
ASSETS			
Current Assets:			
Pooled Cash and Cash Equivalents	\$ 13,205	\$ 925	\$ 3,101
Receivables:			
Interest Receivable	-	-	-
Accounts Receivable	6,784	139	3
Due from Other Governments	279	111	-
Due from Other Funds	15,956	-	-
Capital Leases Receivable-Current	386	-	-
Allowance for Receivables	(3,945)	(205)	-
Inventory	-	109	-
Total Current Assets	<u>32,665</u>	<u>1,079</u>	<u>3,104</u>
Restricted Assets:			
Pooled Cash and Cash Equivalents	8,051	3,546	2,397
Non-Pooled Cash and Cash Equivalents	15,279	-	4,762
Interest Receivable	247	-	-
Total Restricted Assets	<u>23,577</u>	<u>3,546</u>	<u>7,159</u>
Noncurrent Assets:			
Noncurrent Receivables:			
Capital Lease Receivable	527	-	-
Capital Assets:			
Land and Other Capital Assets not being Depreciated	32,630	30,349	11,953
Capital Assets			
net of Accumulated Depreciation	191,578	25,279	74,806
Deferred Charges-Long-Term	14,591	-	-
Total Noncurrent Assets	<u>239,326</u>	<u>55,628</u>	<u>86,759</u>
Total Assets	<u>295,568</u>	<u>60,253</u>	<u>97,022</u>

(continued)

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

City of Long Beach
Business-Type Activities
Tidelands Fund Segments
Statement of Net Assets
September 30, 2006
(In Thousands)
(continued)

	<u>Tideland Operating</u>	<u>Marina</u>	<u>Rainbow Harbor Area</u>
LIABILITIES			
Current Liabilities Payable from Current Assets:			
Accounts Payable	\$ 1,139	\$ 2,176	\$ 3,083
Accrued Wages	288	177	27
Accrued Interest Payable	40	134	-
Due to Other Funds	841	87	13
Deferred Revenues	833	2,081	25
Collections Held in Trust	35	50	1
Obligations Under Capital Leases-Current	2,331	-	-
Bonds Payable Due Within One Year	2,765	3,230	2,070
Other Long-Term Obligations-Current	36	1,343	15
Total Current Liabilities	<u>8,308</u>	<u>9,278</u>	<u>5,234</u>
Current Liabilities Payable from Restricted Assets:			
Accrued Interest Payable	<u>2,730</u>	<u>-</u>	<u>946</u>
Noncurrent Liabilities:			
Advances from Other Funds	19,538	-	-
Obligations Under Capital Leases-Current	3,788	-	-
Other Long-Term Obligations	933	26,790	603
Bonds Payable	126,755	3,420	48,715
Unamortized Discount/Deferred Costs	<u>(12,620)</u>	<u>(247)</u>	<u>(3,878)</u>
Total Noncurrent Liabilities	<u>138,394</u>	<u>29,963</u>	<u>45,440</u>
Total Liabilities	<u>149,432</u>	<u>39,241</u>	<u>51,620</u>
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	100,220	21,092	39,234
Restricted for:			
Debt Service	12,620	3,546	5,761
Capital Projects	-	-	452
Aquarium Operations and Maintenance Reserve	7,978	-	-
Unrestricted	<u>25,318</u>	<u>(3,626)</u>	<u>(45)</u>
Total Net Assets	<u>\$ 146,136</u>	<u>\$ 21,012</u>	<u>\$ 45,402</u>

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

City of Long Beach
Business-Type Activities
Tidelands Fund Segments
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Fiscal Year Ended September 30, 2006
(In Thousands)

	Tideland Operating	Marina	Rainbow Harbor Area
Operating Revenues:			
Licenses and Permits	\$ 474	\$ -	\$ 1
Fees, Concessions and Rentals	7,451	16,580	6,403
From Other Agencies	582	-	-
Charges for Services	40,352	111	-
Total Revenues	<u>48,859</u>	<u>16,691</u>	<u>6,404</u>
Operating Expenses:			
Personal Services	19,190	7,522	988
Maintenance and Other Operations	38,218	4,392	7,740
Amortization	515	58	-
Depreciation	9,937	1,774	3,751
Total Operating Expenses	<u>67,860</u>	<u>13,746</u>	<u>12,479</u>
Operating Income (Loss)	<u>(19,001)</u>	<u>2,945</u>	<u>(6,075)</u>
Non-Operating Income (Expense):			
Interest Income	2,957	156	348
Interest Expense	(8,198)	(1,516)	(2,501)
Gain on Disposition of Fixed Assets	-	24	-
Other Income	701	197	(10)
Total Non-Operating Expense	<u>(4,540)</u>	<u>(1,139)</u>	<u>(2,163)</u>
Income (Loss) Before Contributions and Transfers	<u>(23,541)</u>	<u>1,806</u>	<u>(8,238)</u>
Transfers:			
Transfers In	37,589	-	7,820
Transfers Out	(7,521)	-	(299)
Change in Net Assets	<u>6,527</u>	<u>1,806</u>	<u>(717)</u>
Net Assets - October 1	139,609	19,206	46,119
Net Assets - September 30	<u>\$ 146,136</u>	<u>\$ 21,012</u>	<u>\$ 45,402</u>

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

City of Long Beach
Business-Type Activities
Tidelands Major Segments
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2006
(In Thousands)

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>Tideland Operating</u>	<u>Marina</u>	<u>Rainbow Harbor Area</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 48,175	\$ 16,772	\$ 6,406
Receipts from Other Governments	369	-	-
Payments for Employee Salaries	(19,077)	(7,499)	(981)
Payments for Goods and Services	(37,823)	(4,166)	(6,386)
Other Income	701	120	(11)
Net Cash Provided by (Used for) Operating Activities	<u>(7,655)</u>	<u>5,227</u>	<u>(972)</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers In	32,042	-	7,820
Transfers Out	<u>(7,521)</u>	<u>-</u>	<u>(299)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>24,521</u>	<u>-</u>	<u>7,521</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from the Sale of Capital Assets	-	24	-
Proceeds from Issuance Of Long-Term Obligations	-	16,615	-
Proceeds from Issuance of Bonds	-	-	50,898
Principal Received on Capital Leases	351	-	-
Payments for Capital Acquisitions	(2,260)	(16,134)	-
Payments of Principal on Bonds Payable	-	(3,145)	(1,780)
Payments of Principal on Other Long- Term Obligations	(2,090)	(1,337)	(14)
Payments to Defeasement Bonds	-	-	(48,815)
Payments of Interest	<u>(8,166)</u>	<u>(1,403)</u>	<u>(4,435)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(12,165)</u>	<u>(5,380)</u>	<u>(4,146)</u>
Cash Flows from Investing Activities:			
Receipts of Interest	<u>2,958</u>	<u>156</u>	<u>452</u>
Net Cash Provided by Investing Activities	<u>2,958</u>	<u>156</u>	<u>452</u>
Net Increase in Cash and Cash Equivalents	7,659	3	2,855
Cash and Cash Equivalents - October 1	<u>28,876</u>	<u>4,468</u>	<u>7,405</u>
Cash and Cash Equivalents - September 30	<u>\$ 36,535</u>	<u>\$ 4,471</u>	<u>\$ 10,260</u>

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

City of Long Beach
Business-Type Activities
Tidelands Fund Segments
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2006
(In Thousands)
(Continued)

RECONCILIATION OF OPERATING
INCOME (LOSS) TO NET CASH PROVIDED BY
(USED FOR) OPERATING ACTIVITIES

	<u>Tideland Operating</u>	<u>Marina</u>	<u>Rainbow Harbor Area</u>
Operating Income (Loss)	<u>\$ (19,001)</u>	<u>\$ 2,945</u>	<u>\$ (6,075)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for)			
Operating Activities:			
Depreciation and Amortization Expense	10,452	1,832	3,751
Other Income (Loss)	701	120	(11)
(Increase) Decrease in Accounts Receivable, Net	(870)	95	3
Increase in Amounts Due from			
Other Governments	(213)	-	-
Increase in Accounts Payable	394	210	1,349
Increase in Accrued Wages Payable	114	23	7
Increase in Amounts Due to Other Funds	-	16	4
Increase (Decrease) in Deferred Revenues	770	(49)	-
Increase (Decrease) in Collections Held in Trust	(2)	35	-
Total Adjustments	<u>11,346</u>	<u>2,282</u>	<u>5,103</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (7,655)</u>	<u>\$ 5,227</u>	<u>\$ (972)</u>

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

The City also conducts Business-type services that provide natural gas water, airport, refuse collection, sewer and towing services. Segment information for the Business-type activities funds at September 30, 2006, and for the fiscal year then ended, are as follows (in thousands):

<u>Business-Type Activities Major Activities</u>	<u>Gas</u>	<u>Water</u>	<u>Solid Waste Management</u>	<u>Tidelands</u>	<u>Tideland Oil Revenue</u>	<u>Harbor</u>	<u>Total Major Funds</u>
Operating Revenues	\$ 107,481	\$ 66,074	\$ 78,173	\$ 72,115	\$ 266,985	\$ 353,294	\$ 944,122
Depreciation Expense	3,242	7,922	4,474	15,729	-	80,678	112,045
Operating Income (Loss)	7,453	5,093	8,481	(22,223)	2,500	192,288	193,592
Non-Operating Income (Expense)	5,405	(691)	373	(7,856)	7	(26,369)	(29,131)
Transfers Net	(17,002)	-	(1,258)	37,589	(18,163)	(14,222)	(13,056)
Change in Net Assets	(4,144)	7,036	7,596	7,510	(15,656)	153,995	156,337
Capital Assets:							
Additions	(10,396)	(19,020)	-	(18,408)	-	(82,512)	(130,336)
Deletions	(441)	(213)	(7)	24	-	(1,392)	(2,029)
Net Working Capital	4,748	8,935	59,013	14,028	42,152	521,692	650,568
Total Assets	90,733	271,786	133,141	464,506	391,606	3,222,775	4,574,547
Bonds and Other Long-Term Liabilities Payable from							
Operating Revenues	13,243	36,054	108,657	213,797	325,410	1,096,107	1,793,268
Total Net Assets	\$ 63,711	\$ 225,551	\$ 11,379	\$ 224,188	\$ 42,152	\$ 1,982,146	\$ 2,549,127

Included in non-operating income for the Solid Waste Management Enterprise Fund are operating grants totaling \$1,126,000 received for the recycling program during fiscal year September 30, 2006.

<u>Business-Type Activities Non-major Activities</u>	<u>Sewer</u>	<u>Airport</u>	<u>Towing</u>	<u>Subsidence</u>	<u>Total Nonmajor Activities</u>	<u>Total Business-Type Activities</u>
Operating Revenues	\$ 9,244	\$ 24,796	\$ 7,773	\$ -	\$ 41,813	\$ 985,935
Depreciation Expense	1,233	3,737	9	-	4,979	117,024
Operating Income (Loss)	1,507	326	(884)	-	949	194,541
Non-Operating Income (Expense)	355	4,240	157	1,379	6,131	(23,000)
Transfers Net	-	-	-	-	-	(13,056)
Change in Net Assets	1,862	8,581	(727)	1,379	11,095	167,432
Current Capital Contributions (net)	-	2,739	-	-	2,739	2,739
Capital Assets:						
Additions	(1,291)	(9,187)	-	-	(10,478)	(140,814)
Deletions	(12)	-	-	-	(12)	(2,041)
Net Working Capital	9,627	15,101	1,734	(8,114)	18,348	668,916
Total Assets	53,218	108,997	1,997	157,977	322,189	4,896,736
Bonds and Other Long-Term Liabilities Payable from						
Operating Revenues	-	15,263	-	-	15,263	1,808,531
Total Net Assets	\$ 52,247	\$ 90,941	\$ 1,881	\$ 149,863	\$ 294,932	\$ 2,844,059
Total Business Activities Net Assets						\$ 2,844,059
Internal Service Funds Consolidation						(14,678)
Net Assets of Business-Type Activities						\$ 2,829,381

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 18 – SOUTHEAST RESOURCE RECOVERY FACILITY

The Southeast Resource Recovery Facility (SERRF) Authority was formed as a joint powers authority between the City of Long Beach and Los Angeles County Sanitation District Number 2 in December, 1984. Subsequent to SERRF's formation, lease revenue bonds were issued to construct a waste-to-energy facility, and contracts for the design, construction and demonstration of a plant were executed and completed. Subsequent complex contractor litigation ensued and was settled in 1994.

A final settlement to the contractor litigation provided that the City would receive \$6 million in cash and approximately \$10 million over a 20 year period in monthly installments which began in 1999. Additionally, a \$6 million payment from the present operator for future improvements has been accounted for as contributed capital. The long-term portion of future payments receivable from the former contractor of approximately \$10 million has been accounted for as a receivable and deferred revenue. The long-term receivable at September 30, 2006 is \$5,637,000 with the current portion recognized as revenue during the fiscal year aggregating \$501,000.

In October 1995 the lease was revised since the SERRF Authority refunded the 1985, 1985-1 and 1986 bond issues with the SERRF 1995 Revenue Bond issue. The lease payment was equal to debt service payments with a maximum annual payment of \$25,000,000.

In October 2003, the lease was again revised since the SERRF Authority refunded the 1995 Bonds with the 2003 Southeast Resource Recovery Facility Authority Bonds in the amount of \$120,235,000. Base rental payments are calculated to be sufficient to pay the principal and interest of the Series 2003 Bonds when due.

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

City of Long Beach
Solid Waste Management Fund and Southeast Resource Recovery
Facility (SERRF) Joint Powers Authority
Consolidating Condensed Statement of Net Assets (Deficit)
September 30, 2006
(In Thousands)

	Solid Waste Management Fund			SERRF Authority	Eliminations Debit (Credit)	Consolidated Solid Waste Management Fund
	Refuse	SERRF	Sub-Total			
ASSETS						
Current Assets:						
Pooled Cash and Cash Equivalents	\$ 21,722	\$ 32,058	\$ 53,780	\$ -	\$ -	\$ 53,780
Receivables:						
Accounts Receivable	2,167	7,486	9,653	-	-	9,653
Due from Other Governments	498	371	869	-	-	869
Capital Leases Receivable-Current	-	-	-	6,540	(6,540)	-
Allowance for Receivables	(240)	(51)	(291)	-	-	(291)
Total Current Asset	24,147	39,864	64,011	6,540	(6,540)	64,011
Restricted Assets:						
Pooled Cash and Cash Equivalents	-	-	-	650	-	650
Non-Pooled Investments	-	-	-	11,718	-	11,718
Accounts Receivable	-	-	-	1,567	(1,567)	-
Total Restricted Assets	-	-	-	13,935	(1,567)	12,368
Noncurrent Assets:						
Noncurrent Receivables:						
Capital Lease Receivable	-	-	-	101,155	(101,155)	-
Other Noncurrent Receivables	-	5,637	5,637	-	-	5,637
Capital Assets:						
Land and Other Capital Assets not being Depreciated	-	7,366	7,366	-	-	7,366
Capital Assets net of Accumulated Depreciation	120	43,639	43,759	-	-	43,759
Other Assets-Long-Term	-	2,462	2,462	973	(3,435)	-
Total Noncurrent Assets	120	59,104	59,224	102,128	(104,590)	56,762
Total Assets	24,267	98,968	123,235	122,603	(112,697)	133,141
LIABILITIES						
Current Liabilities Payable from Current Assets:						
Accounts Payable	1,675	3,993	5,668	-	1,567	4,101
Accrued Wages	234	9	243	-	-	243
Accrued Interest Payable	7	-	7	-	-	7
Due to Other Funds	116	4	120	-	-	120
Collections Held in Trust	503	24	527	-	-	527
Other Long-Term Obligations-Current	-	6,540	6,540	-	6,540	-
Total Current Liabilities	2,535	10,570	13,105	-	8,107	4,998
Current Liabilities Payable from Restricted Assets:						
Accrued Interest Payable	-	-	-	1,567	-	1,567
Bonds Payable Due Within One Year	-	-	-	6,540	-	6,540
Total Liabilities Payable from Restricted Assets	-	-	-	8,107	-	8,107
Noncurrent Liabilities:						
Deferred Revenues	-	5,637	5,637	-	-	5,637
Deferred Credits and Other Deferred Liabilities	-	973	973	2,462	3,435	-
Obligations Under Capital Leases	-	101,155	101,155	-	101,155	-
Bonds Payable	-	-	-	101,155	-	101,155
Unamortized Discount/Deferred cost	-	-	-	1,865	-	1,865
Total Noncurrent Liabilities	-	107,765	107,765	105,482	104,590	108,657
Total Liabilities	2,535	118,335	120,870	113,589	112,697	121,762
NET ASSETS (DEFICIT)						
Investment in Capital Assets, Net of Related Debt	120	(55,201)	(55,081)	-	3,354	(58,435)
Restricted for:						
Debt Service	-	-	-	11,706	-	11,706
Capital Projects	-	-	-	650	-	650
Unrestricted	21,612	35,834	57,446	(3,342)	(3,354)	57,458
Total Net Assets (Deficit)	\$ 21,732	\$ (19,367)	\$ 2,365	\$ 9,014	\$ -	\$ 11,379

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

City of Long Beach
Solid Waste Management Fund and Southeast Resource Recovery
Facility (SERRF) Joint Powers Authority
Consolidating Condensed Statement of Revenues, Expenses and
Changes in Fund Net Assets (Deficit)
For the Fiscal Year Ended September 30, 2006
(In Thousands)

	Solid Waste Management Fund			SERRF Authority	Eliminations Debit (Credit)	Consolidated Solid Waste Management Fund
	Refuse	SERRF	Sub-Total			
Operating Revenues:						
Fees, Concessions and Rentals	\$ -	\$ -	\$ -	\$ 5,353	\$ 5,353	\$ -
Charges for Services	32,968	45,205	78,173	-	-	78,173
Total Operating Revenues	<u>32,968</u>	<u>45,205</u>	<u>78,173</u>	<u>5,353</u>	<u>5,353</u>	<u>78,173</u>
Operating Expenses:						
Personal Services	10,241	420	10,661	-	-	10,661
Maintenance and Other Operations	22,784	31,517	54,301	-	-	54,301
Rental Expense	-	5,353	5,353	-	(5,353)	-
Bad Debt	256	-	256	-	-	256
Depreciation	56	4,418	4,474	-	-	4,474
Total Operating Expenses	<u>33,337</u>	<u>41,708</u>	<u>75,045</u>	<u>-</u>	<u>(5,353)</u>	<u>69,692</u>
Operating Income (Loss)	<u>(369)</u>	<u>3,497</u>	<u>3,128</u>	<u>5,353</u>	<u>-</u>	<u>8,481</u>
Non-Operating Income (Expense):						
Interest Income	737	1,099	1,836	588	-	2,424
Interest Expense	-	-	-	(5,012)	-	(5,012)
Gain on Disposition of Capital Assets	(7)	-	(7)	-	-	(7)
Operating Grants	1,126	-	1,126	-	-	1,126
Other Income (Expense)	1,881	501	2,382	(540)	-	1,842
Total Non-Operating Income (Expense)	<u>3,737</u>	<u>1,600</u>	<u>5,337</u>	<u>(4,964)</u>	<u>-</u>	<u>373</u>
Income Before Contributions and Transfers	<u>3,368</u>	<u>5,097</u>	<u>8,465</u>	<u>389</u>	<u>-</u>	<u>8,854</u>
Transfers:						
Transfers Out	-	(1,258)	(1,258)	-	-	(1,258)
Change in Net Assets	<u>3,368</u>	<u>3,839</u>	<u>7,207</u>	<u>389</u>	<u>-</u>	<u>7,596</u>
Net Assets (Deficit) - October 1	<u>18,364</u>	<u>(23,206)</u>	<u>(4,842)</u>	<u>8,625</u>	<u>-</u>	<u>3,783</u>
Net Assets (Deficit) - September 30	<u>\$ 21,732</u>	<u>\$ (19,367)</u>	<u>\$ 2,365</u>	<u>\$ 9,014</u>	<u>\$ -</u>	<u>\$ 11,379</u>

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

City of Long Beach
Solid Waste Management Fund and Southeast Resource Recovery
Facility (SERRF) Joint Powers Authority
Consolidating Statement of Cash Flows
For the Fiscal Year Ended September 30, 2006
(In Thousands)

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>Solid Waste Management Fund</u>			<u>SERRF Authority</u>	<u>Eliminations Increase (Decrease)</u>	<u>Consolidated Solid Waste Management Fund</u>
	<u>Refuse</u>	<u>SERRF</u>	<u>Sub- Total</u>			
Cash Flows from Operating Activities:						
Receipts from Customers	\$ 32,525	\$ 41,880	\$ 74,405	\$ -	\$ -	\$ 74,405
Receipts from Capital Lease	-	-	-	4,532	(4,532)	-
Payments for Employee Salaries	(10,207)	(420)	(10,627)	-	-	(10,627)
Payments for Goods and Services	(22,109)	(35,755)	(57,864)	-	4,532	(53,332)
Other Income (Expense)	1,882	501	2,383	(540)	-	1,843
Net Cash Provided by Operating Activities	2,091	6,206	8,297	3,992	-	12,289
Cash Flows from Non-Capital Financing Activities:						
Operating Grants Received from Other Governments	865	-	865	-	-	865
Transfers Out	-	(1,258)	(1,258)	-	-	(1,258)
Net Cash Provided by (Used for) Non-Capital Financing Activities	865	(1,258)	(393)	-	-	(393)
Cash Flows from Capital and Related Financing Activities:						
Payments of Principal on Bonds Payable	-	-	-	(6,355)	-	(6,355)
Payments of Principal on Other Long- Term Obligations	-	(6,355)	(6,355)	-	6,355	-
Payments of Interest	-	-	-	(4,813)	-	(4,813)
Net Cash Provided by (Used for) Capital and Related Financing Activities	-	(6,355)	(6,355)	(11,168)	6,355	(11,168)
Cash Flows from Investing Activities:						
Proceeds from the Sale of Investments	-	-	-	(273)	-	(273)
Principal Received under Capital Lease	-	-	-	6,355	(6,355)	-
Receipts of Interest	736	1,100	1,836	588	-	2,424
Net Cash Provided by (Used for) Investing Activities	736	1,100	1,836	6,670	(6,355)	2,151
Net Increase (Decrease) in Cash and Cash Equivalents	3,692	(307)	3,385	(506)	-	2,879
Cash and Cash Equivalents - October 1	18,030	32,365	50,395	1,156	-	51,551
Cash and Cash Equivalents - September 30	\$ 21,722	\$ 32,058	\$ 53,780	\$ 650	\$ -	\$ 54,430

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

City of Long Beach
Solid Waste Management Fund and Southeast Resource Recovery
Facility (SERRF) Joint Powers Authority
Consolidating Statement of Cash Flows
For the Fiscal Year Ended September 30, 2006
(In Thousands)
(Continued)

<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>	<u>Solid Waste Management Fund</u>			<u>SERRF Authority</u>	<u>Eliminations Increase (Decrease)</u>	<u>Consolidated Solid Waste Management Fund</u>
	<u>Refuse</u>	<u>SERRF</u>	<u>Sub- Total</u>			
Operating Income (Loss)	\$ (369)	\$ 3,497	\$ 3,128	\$ 5,353	\$ -	\$ 8,481
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation and Amortization Expense	56	4,418	4,474	-	-	4,474
Other Income (Expense)	1,882	501	2,383	(540)	-	1,843
(Increase) Decrease in Accounts Receivable, Net	(176)	(3,142)	(3,318)	74	(74)	(3,318)
Increase in Amounts Due from Other Governments	-	(142)	(142)	-	-	(142)
(Increase) Decrease in Deferred Charges	-	895	895	-	(895)	-
Increase in Accounts Payable	675	300	975	-	74	1,049
Increase in Accrued Wages Payable	19	-	19	-	-	19
Increase in Amounts Due to Other Funds	15	-	15	-	-	15
Decrease in Deferred Revenues	-	(42)	(42)	-	-	(42)
Increase (Decrease) in Deferred Credits	-	(80)	(80)	(895)	895	(80)
Increase (Decrease) in Collections Held in Trust	(11)	1	(10)	-	-	(10)
Total Adjustments	2,460	2,709	5,169	(1,361)	-	3,808
Net Cash Provided by Operating Activities	\$ 2,091	\$ 6,206	\$ 8,297	\$ 3,992	\$ -	\$ 12,289

NOTE 19 – OIL ABANDONMENT LIABILITY

As mentioned in Note 1, the City is required to administer certain tideland properties in trust for the State of California. Significant enterprise operations are conducted in this Tidelands Trust area of the City. Revenues received from the City's tidelands area Business-type operations are restricted by State law to tidelands-related purposes. The trust agreement provides for the establishment of separate operating funds to account for the various activities conducted in the City's tideland areas, as described on the following pages.

Tideland Oil Revenues

The City, acting as trustee for the State of California, utilizes contractors to oversee oil production on the tideland portion of the Wilmington Oil Field. Oil revenues (net of administrative and operating expenses, a \$1,000,000 fixed annual retention by the City, and the City's participation in the Optimized Waterflood Program Agreement as authorized by Chapter 941 of the State of California special legislative session of 1991) are remitted to the State of California. Funds retained by the City are restricted by law for tidelands-related purposes. Eligible purposes include expenses of the City's marinas, beaches, waterways, and its convention center.

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

Annually, the City estimates the State's share in the costs of future abandonment and site clearance of the oil properties. At September 30, 2006 the State's total abandonment cost liability is \$324,800,000 increasing \$13,800,000 from fiscal year 2005. This estimate is based on the number and life of productive wells, general changes in the life of the oil field, and changes in oil prices. Prior to August 2005, the City withheld, on a monthly basis, the State's share in the abandonment liability and deposited the money in the City's Abandonment Reserve Fund. On August 31, 2005, the 2005-06 regular session of the California legislature passed Assembly Bill (AB) 137 which establishes the Oil Trust Fund in the State treasury and appropriates money in the fund to the State Lands Commission for specified costs associated with removal of oil and gas facilities. On March 1, 2006, as provided by AB 137, the City paid to the State Lands Commission all money, including both principal and interest, in the abandonment reserve fund. This amounted to \$98.7 million and was deposited in the State's Oil Trust Fund. At September 30, 2006, the Oil Trust Fund abandonment reserve is \$116,277,000.

The City's proprietary ownership interests in the Wilmington Oil Field bear a proportionate share of oil field abandonment costs. Such share is presently estimated at \$5,100,000 of which \$2,859,000 has been funded as of September 30, 2006 in the Upland Oil Properties Special Revenue Fund.

Subsidence

In accordance with State legislation, the City established a Reserve for Subsidence Contingencies to indemnify the City, State and Contractors for claims or costs arising from subsidence alleged to have resulted from oil operations. A maximum of \$40,000,000, plus accrued interest, was originally set-aside for this purpose. Under provisions of State law that allowed the State's contractors to substantially increase oil production, and for a period of eight years that ended December 31, 1999, the City's Tidelands Fund received 50% of the interest earnings on the Reserve for Subsidence Contingencies while the other 50% accrued to the Subsidence Fund. For a period of four years beginning January 1, 2000, 50% of the interest earnings was paid to the State of California while the other 50% accrued to the Subsidence Fund. After the expiration of the above provisions, 100% of the interest accrues to the Reserve for Subsidence. As of September 30, 2006, the reserve balance within the Subsidence Fund is \$157,977,000. As part of the adoption of the State's fiscal year 05 budget, 100% of this fund's interest earnings for calendar years 2004 and 2005 are eligible to be loaned to the City's General Fund, with repayment to commence in fiscal year 07, without interest, in equal annual installments of \$500,000 for up to 20 years. This action was taken to assist the City in making \$5 million contributions to the State in fiscal year 05 and fiscal year 06. At September 30, 2006, total loan to the City's General Fund amounts to \$8,114,000.

Harbor Operations

The City operates the Port of Long Beach. Leasing activities comprise a large portion of the Port's revenues. A provision for costs related to the abandonment and site clearance of oil properties purchased in March 1994 approximates \$18,300,000 as of September 30, 2006. A provision for the long-term abandonment costs in the amount of \$18,300,000 and \$17,700,000 has been recorded as of September 30, 2006 and 2005, respectively, as a long-term obligation. Estimates of abandonment costs are reviewed annually, and adjusted to reflect modifications in abandonment practices, number and life of productive wells,

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

varying abandonment expenses, general changes in the life of the oil field and changes in oil price levels.

NOTE 20 – INVESTMENT IN JOINT VENTURES

Intermodal Container Transfer Facility Joint Powers Authority (ICTF)

The City's Harbor Department and the Port of Los Angeles (Venturers) have entered into a joint venture agreement to form the Intermodal Container Transfer Facility Joint Powers Authority (ICTF) to finance and construct a facility to transfer cargo containers between trucks and railroad cars. The facility is leased to Southern Pacific Transportation Company, now merged with Union Pacific Railroad (tenant). The facility has been fully developed by the tenant who has assumed operational responsibility for the facility. The Venturers share net income and equity distributions from ICTF equally. A condensed, audited balance sheet as of June 30, 2006 and 2005, and statement of income and Venturer's equity for the year then ended are as follows:

ICTF
Condensed Balance Sheet
June 30, 2006 and 2005
(In Thousands)

	2006	2005
Current Assets	\$ 14,170	\$ 8,942
Property and Equipment	3,275	3,383
Total Assets	<u>\$ 17,445</u>	<u>\$ 12,325</u>
Current Liabilities	\$ 3,524	\$ 8
Venturer's Equity:		
Port of Long Beach Harbor Department	7,133	5,986
Port of Los Angeles	6,788	6,331
Total Venturer's Equity	<u>13,921</u>	<u>12,317</u>
Total Liabilities and Venturers' Equity	<u>\$ 17,445</u>	<u>\$ 12,325</u>

Condensed Statement of Income and Venturers' Equity
for the Years Ended June 30, 2006 and 2005
(In Thousands)

	2006	2005
Operating Revenues	\$ 8,523	\$ 7,050
Operating Expenses	(108)	(108)
Operating Income	8,415	6,942
Interest Income	189	143
Net Income	8,604	7,085
Venturers' equity, July 1	12,317	10,232
Cash Disbursement to Venturers	(7,000)	(5,000)
Venturers' Equity, June 30	<u>\$ 13,921</u>	<u>\$ 12,317</u>

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

Pursuant to an Indenture of Trust dated November 1, 1984, ICTF issued \$53,900,000 of 1984 Series A bonds on behalf of the tenant to construct the facility. On May 1, 1989, ICTF issued \$52,300,000 of 1989 Series A Refunding Revenue Bonds on behalf of the tenant to advance refund the 1984 Series A bonds. The bonds are payable solely from payments by the tenant under a long-term lease agreement for use of the facility. The nature of the bonds is such that the long-term indebtedness is that of the tenant and not of ICTF, the City's Harbor Department or the Port of Los Angeles.

Pursuant to an Indenture of Trust, dated as of October 1, 1999, ICTF issued its Intermodal Container Transfer Refunding Revenue Bonds, 1999 Series A (the 1999 Bonds). In connection with the issuance of the 1999 Bonds, Union Pacific Railroad Company and ICTF entered into a Second Amended and Restated Installment Sale and Security Agreement, dated as of October 1, 1999. The proceeds of the 1999 Bonds, together with certain other funds, were used by ICTF to redeem all of the Intermodal Container Transfer Facility Refunding Revenue Bonds, 1989 Series A then outstanding.

NOTE 21 – DEFERRED COMPENSATION

The City offers all of its employees a deferred compensation plan (Plan) created in accordance with Internal Revenue Code, Section 457. The Plan permits employees to defer a portion of their salary until future years. All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts are held in such trust accounts for the exclusive benefit of the City employee participants and their beneficiaries.

While the City has full power and authority to administer and to adopt rules and regulations for the Plan, all investment decisions under the Plan are the responsibility of the Plan participants. The City has no liability for losses under the Plan, but does have the duty of due care that would be required of an ordinary prudent investor. The accumulated assets of the Plan are not required to be reported in the accompanying basic financial statements.

If Plan participants retire or terminate service with the City, they may be eligible to receive payments under the Plan in accordance with provisions thereof. In the event of serious financial emergency, the City may approve, upon request, withdrawals from the Plan by the participants, along with their allocated contributions.

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 22 – COMMITMENTS AND CONTINGENCIES

Commitments

At September 30, 2006, business-type fund commitments for construction projects and for purchases of goods and services are as follows (in thousands):

Gas	\$ 305
Water	7,285
Sewer	4,110
Airport	3,538
Solid Waste Management	37
Towing	3
Tidelands	7,559
Harbor	89,321
Total	<u>\$112,158</u>

At September 30, 2006, the City's commitments for governmental and Internal Service Funds activity construction projects and for the purchase of goods and services aggregated \$16,579,000 and \$9,429,000, respectively.

The component unit, Long Beach Transportation Company has \$11,486,000 in purchase commitments at June 30, 2006, mainly for the purchase of new buses and an advanced communication system.

Health Insurance

The City contracts with an insurance company to provide group health insurance to City employees. In an effort to maintain rates at acceptable levels, the City deposited with the insurance company certain securities valued at approximately \$5,000,000 to cover terminal liability claims. The securities are included in the City's pooled cash and investments and all interest earned on the securities accrues to the City. In the event of the City terminates its contract with the insurance company, the unneeded portion of the securities will be returned to the City.

Self Insurance

The City is the subject of numerous claims seeking recovery of monetary amounts. Such claims generally occur in the normal course of business and arise from several causes of action including general liability, employment related matters, alleged violations of civil rights, recovery of questioned grant costs and other incidental issues.

As stated in Note 14, the City is self-insured for its workers' compensation and liability claims. As claims are made against the City, they are routinely evaluated and appropriate accrued liabilities are recorded. Certain of these claims may ultimately reach the trial level and could result in judgments against the City. While the ultimate adverse effect, if any, of claims and judgments against the City cannot be estimated with certainty, it is the opinion of management, based upon consultation with the City Attorney and outside legal counsel as applicable, that such judgments against the City will not have a material adverse effect on the City's financial position beyond that already accrued for in the basic financial statements.

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

Environmental Remediation

The City's Harbor Department purchased 725 acres of property in the Harbor District in 1994. The property contains soil requiring remediation of environmentally hazardous materials. The remediation is required only on the portion of the land that the Harbor Department chooses to develop. To the extent that such remediation is necessary, the Harbor Department's liability is mitigated by provisions in the purchase agreement that make Union Pacific Resource Company (UPRC), the seller, responsible for a portion of the remediation costs. UPRC was acquired by Anadarko Petroleum Co. (APC) who assumed this liability in accordance with the original purchase agreement. APC's responsibility is limited to a period not to exceed fifteen years and a maximum amount of \$112,500,000 according to the following table:

<u>Site Remediation Cost</u>		Allocation:	
		<u>APC</u>	<u>Harbor</u>
First	\$ 50 million	\$50,000,000	\$ ---
Second	\$ 50 million	25,000,000	25,000,000
Third	\$ 50 million	12,500,000	37,500,000
Fourth	\$ 50 million	25,000,000	25,000,000
All Additional Costs		---	100%
Maximum Liability		<u>\$112,500,000</u>	

Currently, the Harbor Department has developed 131 acres and plans to develop 160 additional acres.

In September 1995, the City assumed responsibility for approximately 100 acres of land from the City's Water Department which includes potential future costs related to remediation of hazardous materials on the properties. No estimated amount is available since designs for the project designated for this land has not been completed.

Alameda Corridor Development Project

In December 1994, the City's Harbor Department and the Harbor Department of the City of Los Angeles (collectively the Ports) executed the purchase of the rights-of-way needed for the development of the Alameda Corridor Project (the Project), which is a rail transportation corridor between the Ports and the central Los Angeles area. The Ports purchased these rights, sharing the cost on a 50/50 basis, from the three railroad companies then serving the Ports: Union Pacific Railroad Company, Southern Pacific Railroad Company, and Atchison, Topeka and Santa Fe Railroad Companies. After the purchase, Southern Pacific merged into Union Pacific and Atchison, Topeka, and Santa Fe merged with Burlington Northern to form the Burlington Northern Santa Fe.

The total purchase is comprised of the right-of-way property from the three former railroad companies and a drill track from Southern Pacific to provide an additional right-of-way to access local businesses along the Project. As of September 30, 2006 and \$207,823,000 for both years.

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

Construction of the Project began in 1997 and it was completed in April 2002. Funding for the Project came from federal, state, and local sources, and from issuance of debt. Some of the benefits derived from the project are the consolidation of the railroad services onto a single set of rail lines, the improvement of the rail transportation conditions around the Ports, the securing of efficient and competitive service to and from the Ports, and the increase in public safety along the route on which Port related traffic occurs. These benefits will extend to other governmental entities by allowing them to utilize the right-of way.

Repayment to the Ports for their investments in the right-of-way and for any advances provided to the Project will occur after the Project has generated revenues sufficient to retire all debt and to fund a maintenance reserve.

Potential Obligations related to the Alameda Corridor Transportation Authority

The Alameda Corridor Use and Operating Agreement was executed by the City's Harbor Department, the Harbor Department of the City of Los Angeles (Port of Los Angeles), the Alameda Corridor Transportation Authority (ACTA), and the Burlington Northern Santa Fe and Union Pacific Railroads. This Agreement provides for a payment of funds, known as a "Shortfall Advance," to be made, under certain circumstances, to ACTA by the City's Harbor Department and the Port of Los Angeles. Revenues generated by Use Fees and Container Charges, paid by the railroads, will be used to pay debt service on ACTA financing, to establish and maintain a reserve account, and to pay ACTA's reasonable expenses relating to administration of the rail corridor.

To the extent that the revenues from use and container charges are not sufficient to meet ACTA's obligations, the City's Harbor Department and the Port of Los Angeles have agreed to advance the funds necessary to make up the difference. This obligation began after completion of the Corridor project and is limited to a total of 40% of the total annual required amount, with the Harbor Department and the Port of Los Angeles each responsible for one-half, or 20% of the required amount.

ACTA's latest Notice of Estimated Shortfall Advances and Reserve Accounting Funding (the Notice) was transmitted to the Harbor Department on March 24, 2006. It is anticipated that there will be differences between estimates and actual results; the differences may be material. The projected shortfall based on the Notice submitted by ACTA for the fiscal year ending June 30, 2007 is expected to be approximately \$2.1 million, which ACTA indicates will be covered by other available resources. If ACTA is unable to cover the projected shortfall, both the Harbor Department and the Port of Los Angeles, could each be obligated to pay half of the shortfall. Any Shortfall Advance made by the Harbor Department and the Port of Los Angeles is reimbursable, with interest, by ACTA. Although ACTA has not provided an update to its projection of Shortfall Advances beyond the fiscal year ending June 30, 2007, ACTA indicates that it does not anticipate any future Shortfall Advance payments will be required. Estimates included in the Notice are dependent upon the accuracy of the assumptions used by ACTA in its formulation. In accordance with the special initial funding provisions contained in Section 7.4(g) of the Use and Operating Agreement, ACTA and the Ports are required to fund a Reserve Account for these amounts.

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

As such, as of September 30, 2006 and 2005, the Harbor Department has funded \$82,402,000 and \$77,747,000, respectively, of this required reserve and these amounts are included within restricted net assets in the Harbor Fund.

Environmental Mitigation Costs

The City's Harbor Department disbursed \$39,400,000 in fiscal 1997 to secure environmental mitigation credits. An agreement between the City's Harbor Department, the Harbor Department of the City of Los Angeles, and several federal and state regulatory agencies provided for the City's Harbor Department's purchase of land located within the wetlands restoration project at the Bolsa Chica Wetlands in Orange County, California. The land was transferred to the State in return for environmental mitigation credits to allow for the construction of up to 267 acres of landfill in the outer harbor area. During fiscal year 2006, the Harbor Department acquired additional \$11,400,000 of available environmental mitigation credits.

The cost incurred in the acquisition of the land has been classified as a non-current asset. As of September 30, 2006, the Harbor Department has completed landfills that required the utilization of \$6,522,000 of the available credits. No environmental mitigation credits were utilized in fiscal year 2006. The balance of environmental mitigation costs will be adjusted in the future as landfill credits are used for port development. The balance of the Environmental Mitigation Credits as of September 30, 2006 and 2005 is \$44,278,000 and \$32,878,000, respectively.

Gerald Desmond Bridge Matching Contribution

The City's Harbor Department is actively pursuing the replacement of the Gerald Desmond Bridge. The total cost to replace the bridge is estimated at \$800,000,000. The Harbor Department anticipates that funding of this project will come primarily from federal and State sources, some of which has already been committed. In order to receive this funding, the Harbor Department is required to have a matching amount.

In conjunction with the matching requirement, the Harbor Department has set aside \$54,340,000 and \$37,821,000 to provide for the local matching requirement associated with \$320,785,000 and \$116,100,000 in grants received as of June 30, 2006 and 2005, respectively. Additionally, in anticipation of the matching requirements related to future expected funding to cover the total estimated cost of the bridge, the Harbor Department has set aside and earmarked funds totaling \$25,861,000 and \$37,849,000 as of September 30, 2006 and 2005, respectively, to provide the expected 10% local match related to future grants.

Green Port Infrastructure Commitment

In January 2005, the City's Harbor Department adopted a wide-ranging Green Port Policy that greatly expanded its commitment to sustain the environment by establishing new guidelines for Port current operations and future development. Key provisions include protection of the community from the harmful impacts of Port operations and employment of state-of-the-art technology to minimize environmental impacts. Air emissions from ships at berth account for over one-third of all vessel air emissions. Providing electrification reduces emissions significantly. With electrification, or "cold ironing", vessels can shut down their auxiliary engines, while at berth, and plug into shore-side electric substations. Although the

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

cost of adding electrical infrastructure is substantial, the Harbor Department has successfully negotiated with several tenants to modify their berthing arrangements and has set aside funds to help funding the infrastructural changes. The Green Port Infrastructure Reserve balance, as of September 30, 2006 and 2005, is \$104,026,000 and \$100,331,000, respectively. This balance consists of the \$100,000,000 initial contribution plus interest earnings.

Pike Public Improvements

In fiscal year 2002, the City issued special assessment debt under the authority of the Mello-Roos Community Facilities Act for public improvements, mainly a parking facility, in the Pike Development Project area (Note 9). Although the debt does not constitute an indebtedness of the City, in order to facilitate such financing, the parking facility was sublet to the City for the purposes of issuance of the Mello-Roos Bonds pursuant to a City sublease. According to the sublease, the City is subject to an annual calculated lease payment up to \$1,169,000, plus net revenues from certain other Pike area parking operations, in the event the Pike garage does not generate sufficient net revenue to make bond payments.

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

City of Long Beach
Required Supplementary Information
CalPERS Analysis of Funding Progress
(Unaudited)
(In thousands)

<u>June 30</u> <u>Actuarial</u> <u>Valuation Date</u>	<u>Entry Age</u> <u>Normal</u> <u>Accrued</u> <u>Liability</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u>	<u>Excess</u> <u>Funded</u> <u>(Deficit/</u> <u>Unfunded)</u> <u>Assets</u>	<u>Funded</u> <u>Status</u>	<u>Annual</u> <u>Covered</u> <u>Payroll</u>	<u>Excess Funded</u> <u>(Deficit/</u> <u>Unfunded)</u> <u>Assets as a %</u> <u>of Covered</u> <u>Payroll</u>
<u>Miscellaneous Employees</u>						
2003	\$1,234,749	\$1,222,710	\$(12,039)	99.0%	\$192,004	(6.3)%
2004	1,310,060	1,256,773	(53,287)	95.9%	191,222	(27.9)%
2005	1,382,539	1,319,615	(62,924)	95.4%	186,580	(33.7)%
<u>Safety Employees</u>						
2003	\$1,212,393	\$1,257,639	\$45,246	103.7%	\$103,510	43.7%
2004	1,266,688	1,295,136	28,448	102.2%	102,845	27.7%
2005	1,314,223	1,353,870	39,647	103.0%	103,583	38.3%

See accompanying independent auditors' report.

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

City of Long Beach
Required Supplementary Information

Public Agency Retirement System
Analysis of Funding Progress
(Unaudited)

Actuarial Valuation Date (1)	Actuarial Value of <u>Assets</u>	Actuarial Accrued <u>Liabilities</u>	Funded (Excess <u>assets</u>)	Funded <u>Ratio</u>	Annual Covered <u>Payroll</u>	Rate of Funded Liability to Annual <u>Covered</u> <u>Payroll</u>
1997	\$ 385,993	\$ 246,938	\$ 139,055	156%	\$13,985,230	0.99 %
1998	628,037	493,178	134,859	127%	14,636,213	0.92 %
1999	844,349	644,922	199,427	131%	16,239,480	1.23 %
2000	1,071,241	575,446	495,795	186%	15,124,582	3.28 %
2001	1,317,055	410,609	906,446	321%	10,697,767	8.47 %
2002	1,526,586	475,029	1,051,557	321%	8,472,945	12.41 %
2003	1,703,852	517,234	1,186,618	329%	8,504,901	13.95 %
2004	1,536,647	545,083	991,564	282%	8,265,983	12.00 %
2005	1,388,268	675,055	713,213	206%	7,697,497	9.27 %
2006	1,307,680	789,799	517,881	166%	7,927,910	6.53 %

(1) September 30 for 2005 and June 30 prior to 2005.

See accompanying independent auditors' report.

CAPITAL PROJECTS FUNDS

Capital Projects major fund budgetary information not provided in the basic financial statements is provided in this section.

General Capital Projects Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis)

Redevelopment Capital Projects Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) – Budget and Actual (Non-GAAP Budgetary Basis)

City of Long Beach
General Capital Projects
Statement of Revenues, Expenditures and
Changes in Fund Balances -
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended September 30, 2006
(In Thousands)

	Budgeted Amounts		Actual On	Variance
	Original	Final	Budgetary	with Final
			Basis	Budget -
				Favorable
				(Unfavorable)
Revenues:				
Licenses and Permits	\$ 2,100	\$ 2,100	\$ 1,409	\$ (691)
Use of Money and Property	1,479	1,552	717	(835)
From Other Agencies	43,807	48,498	13,017	(35,481)
Other	-	50	51	1
Total Revenues	<u>47,386</u>	<u>52,200</u>	<u>15,194</u>	<u>(37,006)</u>
Expenditures:				
Capital Improvements	<u>79,164</u>	<u>87,219</u>	<u>36,931</u>	<u>50,288</u>
Total Expenditures	<u>79,164</u>	<u>87,219</u>	<u>36,931</u>	<u>50,288</u>
Excess of Revenues Over				
(Under) Expenditures	<u>(31,778)</u>	<u>(35,019)</u>	<u>(21,737)</u>	<u>13,282</u>
Other Financing Sources (Uses):				
Transfers In	4,680	8,406	11,571	3,165
Transfers Out	<u>(524)</u>	<u>(524)</u>	<u>(325)</u>	<u>199</u>
Total Other Financing				
Sources	<u>4,156</u>	<u>7,882</u>	<u>11,246</u>	<u>3,364</u>
Excess of Revenues and Other				
Sources Over (Under) Expenditures				
and Other Uses	<u>(27,622)</u>	<u>(27,137)</u>	<u>(10,491)</u>	<u>16,646</u>
Fund Balances - October 1, Budgetary Basis	23,412	23,412	23,412	-
Encumbrances - Beginning of the Year	<u>6,257</u>	<u>6,257</u>	<u>6,257</u>	<u>-</u>
Fund Balances - September 30, Budgetary Basis	<u>\$ 2,047</u>	<u>\$ 2,532</u>	<u>\$ 19,178</u>	<u>\$ 16,646</u>

See accompanying independent auditors' report.

City of Long Beach
Redevelopment Capital Projects
Statement of Revenues, Expenditures and
Changes in Fund Balances -
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended September 30, 2006
(In Thousands)

	Budgeted Amounts		Actual On	Variance
	Original	Final	Budgetary	with Final
			Basis	Budget -
				Favorable
				(Unfavorable)
Revenues:				
Property Taxes	\$ 51,722	\$ 51,722	\$ 63,406	\$ 11,684
Other Taxes	3,888	3,888	3,634	(254)
Licenses and Permits	-	-	179	179
Use of Money and Property	3,246	5,701	13,901	8,200
From Other Agencies	689	689	62	(627)
Other - Land Sales and Contributions	(903)	(903)	1,434	2,337
Other	(1,138)	(1,138)	2,145	3,283
Total Revenues	<u>57,504</u>	<u>59,959</u>	<u>84,761</u>	<u>24,802</u>
Expenditures:				
General Government	245	245	269	(24)
Community and Cultural	<u>170,874</u>	<u>198,912</u>	<u>94,930</u>	<u>103,982</u>
Total Current Expenditures	<u>171,119</u>	<u>199,157</u>	<u>95,199</u>	<u>103,958</u>
Debt Service:				
Principal	8,134	16,884	8,694	8,190
Interest	19,634	19,843	19,485	358
Fiscal Agent Fees	<u>136</u>	<u>136</u>	<u>144</u>	<u>(8)</u>
Total Expenditures	<u>199,023</u>	<u>236,020</u>	<u>123,522</u>	<u>112,498</u>
Excess of Revenues Over				
(Under) Expenditures	<u>(141,519)</u>	<u>(176,061)</u>	<u>(38,761)</u>	<u>137,300</u>
Other Financing Sources (Uses):				
Other Deferred Payments	-	-	220	220
Proceeds from Other Long-Term Obligations	3,625	38,670	37,500	(1,170)
Payments to Refunded Bond Escrow Agent	-	-	(36,135)	(36,135)
Transfers In	(1,034)	1,766	5,741	3,975
Transfers Out	<u>(31,419)</u>	<u>(31,419)</u>	<u>(7,162)</u>	<u>24,257</u>
Total Other Financing				
Sources (Uses)	<u>(28,828)</u>	<u>9,017</u>	<u>164</u>	<u>(8,853)</u>
Excess of Revenues and Other				
Sources Over (Under) Expenditures				
and Other Uses	<u>(170,347)</u>	<u>(167,044)</u>	<u>(38,597)</u>	<u>128,447</u>
Fund Balances - October 1, Budgetary Basis	249,027	249,027	249,027	-
Encumbrances - Beginning of the Year	<u>852</u>	<u>852</u>	<u>852</u>	<u>-</u>
Fund Balances - September 30, Budgetary Basis	<u>\$ 79,532</u>	<u>\$ 82,835</u>	<u>\$ 211,282</u>	<u>\$ 128,447</u>

See accompanying independent auditors' report.

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NONMAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable and nonexpendable trusts) that are restricted by law to expenditure for specified purposes.

The General Grants Fund was established to separately account for Federal, State and other agency grants related to general City operations.

The Health Fund was established to separately account for Federal/State and other revenues related to health care programs which the City operates in lieu of the County.

The Certified Unified Program Agency Fund was established by the City to account for services relating to hazardous waste material.

The Parking and Business Area Improvement Fund is used to account for special revenue received from businesses and property owners located within business improvement districts. Business Improvement Districts are self assessment districts created with the approval of affected businesses by City ordinance as allowed by State law. City of Long Beach business improvement districts are located in Belmont Shore, Bixby Knolls, designated hotel properties, Magnolia Industrial Area and Downtown. Self assessment revenues are used to provide safety, security, parking and marketing services in the areas.

The Special Advertising and Promotion Fund is required by the City's Municipal Code Section 3.64.100 to account for a portion of the transient occupancy tax revenue. The revenues are restricted for use to advertising, promotional, and public relations projects calling attention to the City.

The Upland Oil Properties Fund was established to account for all costs and revenues for the City's proprietary oil interests and for accumulating reserves to pay for the City's portion of well-abandonment and site-clearance liabilities.

The Belmont Shore Parking Meter Revenue Fund was established by City Ordinance C-6219 to account for parking revenues in the Belmont Shore area of Long Beach.

The Business Assistance Fund is used to account for the Redevelopment Agency monies used to fund commercial rehabilitation loans and rebates, business outreach and commercial and retail services, including business attraction, retention and expansion.

The Housing Assistance Fund is used to account for programs administered by the City's Housing Authority under regulations of the U.S. Department of Housing and Urban Development.

The Park Development Fund was established by City Ordinance C-6567 to account for developer fees to be used solely and exclusively for the purpose of funding park land acquisition and recreation improvements.

The Gasoline Tax Fund is used to account for revenues and expenditures of money apportioned under the Streets and Highways Code of the State of California. Expenditures may be made for any street-related purpose of the City's system of streets, including maintenance thereof.

The Transportation Fund is used to account for the City's share of a one percent sales tax collected by Los Angeles County under Proposition A (approved November 1980) and Proposition C (approved November 1990) to finance certain transportation projects.

City of Long Beach
Nonmajor Governmental Funds-Special Revenue Funds
Combining Balance Sheet
September 30, 2006
With Summarized Financial Information for 2005
(In Thousands)

	General Grants	Health	Certified Unified Program Agency	Parking and Business Area Improvement	Special Advertising and Promotion	Upland Oil Properties	Belmont Shore Parking Meter Revenue
ASSETS							
Pooled Cash and Cash Equivalents	\$ 1,870	\$ 1,332	\$ 312	\$ 712	\$ 1,763	\$ 4,286	\$ 635
Non-Pooled Cash and Cash Equivalents	-	1	-	-	-	-	24
Receivables:							
Accounts Receivable	48	587	52	96	816	2,075	-
Due from Other Governments	6,417	6,137	8	-	-	-	-
Allowance for Receivables	-	(398)	(93)	(51)	(150)	-	-
Other Assets-Current	-	1	-	-	-	-	-
Other Noncurrent Receivables	-	-	-	-	-	-	-
Total Assets	<u>\$ 8,335</u>	<u>\$ 7,660</u>	<u>\$ 279</u>	<u>\$ 757</u>	<u>\$ 2,429</u>	<u>\$ 6,361</u>	<u>\$ 659</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 1,452	\$ 1,059	\$ 13	\$ 338	\$ 93	\$ 399	\$ 16
Accrued Wages	52	639	22	-	19	-	-
Due to Other Funds	4,922	2,030	11	-	9	-	-
Deferred Revenues	1,753	1,555	24	-	-	-	-
Deposits and Collections Held in Trust	145	100	56	-	18	85	-
Advances from Other Funds	-	2,000	-	-	-	-	-
Total Liabilities	<u>8,324</u>	<u>7,383</u>	<u>126</u>	<u>338</u>	<u>139</u>	<u>484</u>	<u>16</u>
Fund Balances:							
Reserved for:							
Encumbrances	-	22	-	-	54	-	7
Future Capital Projects/Transportation	-	-	-	-	-	-	-
Estimated Oil Field Abandonment Costs	-	-	-	-	-	3,495	-
Debt Service	-	-	-	-	-	-	200
Unreserved, Designated for:							
Subsequent Years' Appropriations	11	255	153	419	2,236	2,382	436
Unreserved, Undesignated							
Special Revenue Funds	-	-	-	-	-	-	-
Total Fund Balance	<u>11</u>	<u>277</u>	<u>153</u>	<u>419</u>	<u>2,290</u>	<u>5,877</u>	<u>643</u>
Total Liabilities and Fund balance	<u>\$ 8,335</u>	<u>\$ 7,660</u>	<u>\$ 279</u>	<u>\$ 757</u>	<u>\$ 2,429</u>	<u>\$ 6,361</u>	<u>\$ 659</u>

See accompanying independent auditors' report.

Business Assistance	Housing Assistance	Park Development	Gasoline Tax	Transportation	Totals	
					September 30, 2006	September 30, 2005
\$ 244	\$ 11,969	\$ 747	\$ 10,989	\$ 30,181	\$ 65,040	\$ 50,050
-	132	-	-	-	157	17
2	117	-	-	1	3,794	3,660
-	55	-	1,898	150	14,665	18,014
(2)	(88)	-	-	-	(782)	(581)
3	6	-	-	-	10	35
1,365	-	-	-	-	1,365	2,768
<u>\$ 1,612</u>	<u>\$ 12,191</u>	<u>\$ 747</u>	<u>\$ 12,887</u>	<u>\$ 30,332</u>	<u>\$ 84,249</u>	<u>\$ 73,963</u>
\$ 44	\$ 102	\$ -	\$ 1,236	\$ 5,928	\$ 10,680	\$ 11,649
19	82	-	-	14	847	793
9	41	-	303	7	7,332	5,945
1,509	9	-	5,127	-	9,977	5,747
2	1,690	-	16	-	2,112	3,062
-	2,900	-	-	-	4,900	4,900
<u>1,583</u>	<u>4,824</u>	<u>-</u>	<u>6,682</u>	<u>5,949</u>	<u>35,848</u>	<u>32,096</u>
5	3	-	1,229	3,595	4,915	3,911
-	-	-	4,976	20,788	25,764	26,549
-	-	-	-	-	3,495	3,136
-	-	-	-	-	200	200
24	10,264	747	-	-	16,927	10,971
-	(2,900)	-	-	-	(2,900)	(2,900)
<u>29</u>	<u>7,367</u>	<u>747</u>	<u>6,205</u>	<u>24,383</u>	<u>48,401</u>	<u>41,867</u>
<u>\$ 1,612</u>	<u>\$ 12,191</u>	<u>\$ 747</u>	<u>\$ 12,887</u>	<u>\$ 30,332</u>	<u>\$ 84,249</u>	<u>\$ 73,963</u>

City of Long Beach
Nonmajor Governmental Funds-Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Deficit)
For the Fiscal Year Ended September 30, 2006
With Summarized Financial Information for 2005
(In Thousands)

	General Grants	Health	Certified Unified Program Agency	Parking and Business Area Improvement	Special Advertising and Promotion	Upland Oil Properties
Revenues:						
Taxes:						
Sales	\$ -	\$ 2,458	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	5,445	4,640	-
Licenses and Permits	-	3,064	815	-	758	-
Fines and Forfeitures	-	-	-	-	-	-
Use of Money and Property	75	-	23	13	35	21,481
From Other Agencies	22,405	27,524	-	-	-	-
Charges for Services	25	2,066	-	-	-	-
Other	-	173	1	-	148	-
Total Revenues	<u>22,505</u>	<u>35,285</u>	<u>839</u>	<u>5,458</u>	<u>5,581</u>	<u>21,481</u>
Expenditures:						
Current:						
Public Safety	18,955	-	-	-	-	-
Public Health	1,158	38,280	964	-	-	-
Community and Cultural	2,668	-	-	5,372	4,297	-
Public Works	428	-	-	-	-	-
Oil Operations	-	-	-	-	-	7,089
Total Current Expenditures	<u>23,209</u>	<u>38,280</u>	<u>964</u>	<u>5,372</u>	<u>4,297</u>	<u>7,089</u>
Capital Improvements	-	-	-	-	-	-
Debt Service:						
Principal	-	204	-	-	-	-
Interest	-	121	-	-	-	-
Debt Administration Fees	-	-	-	-	-	3
Total Expenditures	<u>23,209</u>	<u>38,605</u>	<u>964</u>	<u>5,372</u>	<u>4,297</u>	<u>7,092</u>
Excess of Revenues Over (Under) Expenditures	<u>(704)</u>	<u>(3,320)</u>	<u>(125)</u>	<u>86</u>	<u>1,284</u>	<u>14,389</u>
Other Financing Sources (Uses):						
Proceeds from Other Long-Term Obligations	-	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	-
Transfers In	699	1,654	-	-	-	-
Transfers Out	-	-	-	-	(984)	(14,011)
Total Other Financing Sources (Uses)	<u>699</u>	<u>1,654</u>	<u>-</u>	<u>-</u>	<u>(984)</u>	<u>(14,011)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(5)</u>	<u>(1,666)</u>	<u>(125)</u>	<u>86</u>	<u>300</u>	<u>378</u>
Fund Balances (Deficit) - October 1	<u>16</u>	<u>1,943</u>	<u>278</u>	<u>333</u>	<u>1,990</u>	<u>5,499</u>
Fund Balances - September 30	<u>\$ 11</u>	<u>\$ 277</u>	<u>\$ 153</u>	<u>\$ 419</u>	<u>\$ 2,290</u>	<u>\$ 5,877</u>

See accompanying independent auditors' report.

Belmont Shore Parking Meter Revenue	Business Assistance	Housing Assistance	Park Development	Gasoline Tax	Transportation	Totals	
						September 30, 2006	September 30, 2005
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,458	\$ 2,482
-	-	-	-	-	-	10,085	6,537
-	2	-	471	-	-	5,110	6,139
-	-	-	-	-	-	-	6
484	65	309	35	222	1,033	23,775	19,114
-	593	67,717	-	11,455	15,418	145,112	122,256
-	-	-	-	-	-	2,091	2,012
-	177	344	-	-	54	897	2,511
<u>484</u>	<u>837</u>	<u>68,370</u>	<u>506</u>	<u>11,677</u>	<u>16,505</u>	<u>189,528</u>	<u>161,057</u>
-	-	-	-	-	-	18,955	7,914
-	-	-	-	-	-	40,402	36,909
180	1,689	59,752	43	-	-	74,001	72,364
-	-	-	-	-	15,813	16,241	12,376
-	-	-	-	-	-	7,089	6,164
<u>180</u>	<u>1,689</u>	<u>59,752</u>	<u>43</u>	<u>-</u>	<u>15,813</u>	<u>156,688</u>	<u>135,727</u>
-	-	-	-	11,726	-	11,726	4,883
145	-	-	-	-	-	349	365
67	-	-	-	-	-	188	153
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>112</u>
<u>392</u>	<u>1,689</u>	<u>59,752</u>	<u>43</u>	<u>11,726</u>	<u>15,813</u>	<u>168,954</u>	<u>141,240</u>
<u>92</u>	<u>(852)</u>	<u>8,618</u>	<u>463</u>	<u>(49)</u>	<u>692</u>	<u>20,574</u>	<u>19,817</u>
-	-	-	-	-	-	-	3,587
-	-	-	-	-	-	-	(3,526)
-	99	-	-	-	-	2,452	3,001
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,013)</u>	<u>-</u>	<u>(484)</u>	<u>(16,492)</u>	<u>(17,179)</u>
<u>-</u>	<u>99</u>	<u>-</u>	<u>(1,013)</u>	<u>-</u>	<u>(484)</u>	<u>(14,040)</u>	<u>(14,117)</u>
92	(753)	8,618	(550)	(49)	208	6,534	5,700
<u>551</u>	<u>782</u>	<u>(1,251)</u>	<u>1,297</u>	<u>6,254</u>	<u>24,175</u>	<u>41,867</u>	<u>36,167</u>
<u>\$ 643</u>	<u>\$ 29</u>	<u>\$ 7,367</u>	<u>\$ 747</u>	<u>\$ 6,205</u>	<u>\$ 24,383</u>	<u>\$ 48,401</u>	<u>\$ 41,867</u>

City of Long Beach
Nonmajor Governmental Funds-Special Revenue Funds
Schedule of Revenues, Expenditures and
Changes in Fund Balances
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended September 30, 2006
(In Thousands)

	General Grants				Health			
	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
	Original	Final			Original	Final		
Revenues:								
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,474	\$ 2,474	\$ 2,458	\$ (16)
Other Tax	-	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	3,042	3,042	3,064	22
Use of Money and Property	-	101	75	(26)	1	83	-	(83)
From Other Agencies	31,752	35,463	22,405	(13,058)	53,558	65,535	27,524	(38,011)
Charges for Services	37	56	25	(31)	2,256	2,256	2,066	(190)
Other	-	-	-	-	362	362	173	(189)
Total Revenues	31,789	35,620	22,505	(13,115)	61,693	73,752	35,285	(38,467)
Expenditures:								
Public Safety	27,804	31,040	18,955	12,085	-	-	-	-
Public Health	1,151	1,151	1,158	(7)	64,064	76,122	38,302	37,820
Community and Cultural	3,028	3,776	2,668	1,108	-	-	-	-
Public Works	627	627	428	199	-	-	-	-
Oil Operations	-	-	-	-	-	-	-	-
Total Current Expenditures	32,610	36,594	23,209	13,385	64,064	76,122	38,302	37,820
Capital Improvements	-	-	-	-	-	-	-	-
Debt Service:								
Principal	-	-	-	-	209	209	204	5
Interest	-	-	-	-	115	115	121	(6)
Debt Administration Fees	-	-	-	-	-	-	-	-
Total Expenditures	32,610	36,594	23,209	13,385	64,388	76,446	38,627	37,819
Excess of Revenue Over (Under) Expenditures	(821)	(974)	(704)	270	(2,695)	(2,694)	(3,342)	(648)
Other Financing Sources (Uses):								
Transfers In	817	1,000	699	(301)	362	1,082	1,654	572
Transfers Out	-	-	-	-	(150)	(870)	-	870
Total Other Financing Sources (Uses)	817	1,000	699	(301)	212	212	1,654	1,442
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(4)	26	(5)	(31)	(2,483)	(2,482)	(1,688)	794
Fund Balances - October 1, Budgetary Basis	16	16	16	-	1,926	1,926	1,926	-
Encumbrances - Beginning of the Year	-	-	-	-	17	17	17	-
Fund Balances - September 30, Budgetary Basis	\$ 12	\$ 42	\$ 11	\$ (31)	\$ (540)	\$ (539)	\$ 255	\$ 794

See accompanying independent auditors' report.

				Parking and Business Area Improvement				Special Advertising and Promotion				Upland Oil Properties			
Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
Original	Final			Original	Final			Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	2,541	6,041	5,445	(596)	4,640	4,640	4,640	-	-	-	-	-
873	873	815	(58)	-	-	-	-	557	730	758	28	-	-	-	-
21	21	23	2	9	9	13	4	336	1	35	34	16,296	22,569	21,481	(1,088)
-	-	-	-	-	-	-	-	120	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	1	1	-	-	-	-	5	195	148	(47)	-	-	-	-
894	894	839	(55)	2,550	6,050	5,458	(592)	5,658	5,586	5,581	15	16,296	22,569	21,481	(1,088)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
963	964	964	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	2,445	5,945	5,372	573	5,487	5,739	4,351	1,388	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	7,205	7,750	7,089	661
963	964	964	-	2,445	5,945	5,372	573	5,487	5,739	4,351	1,388	7,205	7,750	7,089	661
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	3	(3)
963	964	964	-	2,445	5,945	5,372	573	5,487	5,739	4,351	1,388	7,205	7,750	7,092	658
(69)	(70)	(125)	(55)	105	105	86	(19)	171	(173)	1,230	1,403	9,091	14,819	14,389	(430)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	(984)	(984)	-	(8,770)	(15,102)	(14,011)	1,091
-	-	-	-	-	-	-	-	-	(984)	(984)	-	(8,770)	(15,102)	(14,011)	1,091
(69)	(70)	(125)	(55)	105	105	86	(19)	171	(1,157)	246	1,403	321	(283)	378	661
278	278	278	-	333	333	333	-	1,980	1,980	1,980	-	5,499	5,499	5,499	-
-	-	-	-	-	-	-	-	10	10	10	-	-	-	-	-
\$ 209	\$ 208	\$ 153	\$ (55)	\$ 438	\$ 438	\$ 419	\$ (19)	\$ 2,161	\$ 833	\$ 2,236	\$ 1,403	\$ 5,820	\$ 5,216	\$ 5,877	\$ 661

(continued)

City of Long Beach
Nonmajor Governmental Funds-Special Revenue Funds
Schedule of Revenues, Expenditures and
Changes in Fund Balances
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended September 30, 2006
(In Thousands)
(continued)

	Belmont Shore Parking Meter Revenue				Business Assistance			
	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
	Original	Final			Original	Final		
Revenues:								
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Tax	-	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	-	2	2
Use of Money and Property	448	448	484	36	-	-	65	65
From Other Agencies	-	-	-	-	-	-	593	593
Charges for Services	-	-	-	-	-	-	-	-
Other	-	-	-	-	90	90	177	87
Total Revenues	448	448	484	36	90	90	837	747
Expenditures:								
Public Safety	-	-	-	-	-	-	-	-
Public Health	-	-	-	-	-	-	-	-
Community and Cultural	382	382	187	195	1,876	1,921	1,694	227
Public Works	-	-	-	-	-	-	-	-
Oil Operations	-	-	-	-	-	-	-	-
Total Current Expenditures	382	382	187	195	1,876	1,921	1,694	227
Capital Improvements	-	-	-	-	-	-	-	-
Debt Service:								
Principal	145	145	145	-	-	-	-	-
Interest	67	67	67	-	-	-	-	-
Debt Administration Fees	-	-	-	-	-	-	-	-
Total Expenditures	594	594	399	195	1,876	1,921	1,694	227
Excess of Revenue Over (Under) Expenditures	(146)	(146)	85	231	(1,786)	(1,831)	(857)	974
Other Financing Sources (Uses):								
Transfers In	-	-	-	-	1,800	1,800	99	(1,701)
Transfers Out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	1,800	1,800	99	(1,701)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(146)	(146)	85	231	14	(31)	(758)	(727)
Fund Balances - October 1, Budgetary Basis	551	551	551	-	782	782	782	-
Encumbrances - Beginning of the Year	-	-	-	-	-	-	-	-
Fund Balances - September 30, Budgetary Basis	\$ 405	\$ 405	\$ 636	\$ 231	\$ 796	\$ 751	\$ 24	\$ (727)

See accompanying independent auditors' report.

Housing Assistance				Park Development				Gasoline Tax			
Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
Original	Final			Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	1,000	1,000	471	(529)	-	-	-	-
28	28	309	281	20	20	35	15	265	265	222	(43)
66,490	66,580	67,717	1,137	-	-	-	-	19,942	20,249	11,455	(8,794)
-	-	-	-	-	-	-	-	-	-	-	-
1,370	1,370	344	(1,026)	-	-	-	-	-	-	-	-
67,888	67,978	68,370	392	1,020	1,020	506	(514)	20,207	20,514	11,677	(6,637)
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
67,904	68,149	59,755	8,394	56	56	43	13	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
67,904	68,149	59,755	8,394	56	56	43	13	-	-	-	-
-	-	-	-	-	-	-	-	20,102	26,718	12,955	13,763
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
67,904	68,149	59,755	8,394	56	56	43	13	20,102	26,718	12,955	13,763
(16)	(171)	8,615	8,786	964	964	463	(501)	105	(6,204)	(1,278)	4,926
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	(1,000)	(1,000)	(1,013)	(13)	(6,309)	-	-	-
-	-	-	-	(1,000)	(1,000)	(1,013)	(13)	(6,309)	-	-	-
(16)	(171)	8,615	8,786	(36)	(36)	(550)	(514)	(6,204)	(6,204)	(1,278)	4,926
(1,251)	(1,251)	(1,251)	-	1,293	1,293	1,293	-	3,770	3,770	3,770	-
-	-	-	-	4	4	4	-	2,484	2,484	2,484	-
\$ (1,267)	\$ (1,422)	\$ 7,364	\$ 8,786	\$ 1,261	\$ 1,261	\$ 747	\$ (514)	\$ 50	\$ 50	\$ 4,976	\$ 4,926

(continued)

City of Long Beach
Nonmajor Governmental Funds-Special Revenue Funds
Schedule of Revenues, Expenditures and
Changes in Fund Balances
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended September 30, 2006
(In Thousands)
(continued)

	Transportation				Total			
	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
	Original	Final			Original	Final		
Revenues:								
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,474	\$ 2,474	\$ 2,458	\$ (16)
Other Tax	-	-	-	-	7,181	10,681	10,085	(596)
Licenses and Permits	-	-	-	-	5,472	5,645	5,110	(535)
Use of Money and Property	569	569	1,033	464	17,993	24,114	23,775	(339)
From Other Agencies	13,608	13,608	15,418	1,810	185,470	201,435	145,112	(56,323)
Charges for Services	-	-	-	-	2,293	2,312	2,091	(221)
Other	1	1	54	53	1,828	2,018	897	(1,121)
Total Revenues	14,178	14,178	16,505	2,327	222,711	248,679	189,528	(59,151)
Expenditures:								
Public Safety	-	-	-	-	27,804	31,040	18,955	- 12,085
Public Health	-	-	-	-	66,178	78,237	40,424	37,813
Community and Cultural	-	-	-	-	81,178	85,968	74,070	11,898
Public Works	34,520	34,520	19,408	15,112	35,147	35,147	19,836	15,311
Oil Operations	-	-	-	-	7,205	7,750	7,089	661
Total Current Expenditures	34,520	34,520	19,408	15,112	217,512	238,142	160,374	77,768
Capital Improvements	-	-	-	-	20,102	26,718	12,955	13,763
Debt Service:								
Principal	-	-	-	-	354	354	349	5
Interest	-	-	-	-	182	182	188	(6)
Debt Administration Fees	-	-	-	-	-	-	3	(3)
Total Expenditures	34,520	34,520	19,408	15,112	238,150	265,396	173,869	91,527
Excess of Revenue Over (Under) Expenditures	(20,342)	(20,342)	(2,903)	17,439	(15,439)	(16,717)	15,659	32,376
Other Financing Sources (Uses):								
Transfers In	-	-	-	-	2,979	3,882	2,452	(1,430)
Transfers Out	(600)	(600)	(484)	116	(16,829)	(18,556)	(16,492)	2,064
Total Other Financing Sources (Uses)	(600)	(600)	(484)	116	(13,850)	(14,674)	(14,040)	634
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(20,942)	(20,942)	(3,387)	17,555	(29,289)	(31,391)	1,619	33,010
Fund Balances - October 1, Budgetary Basis	22,779	22,779	22,779	-	37,956	37,956	37,956	-
Encumbrances - Beginning of the Year	1,396	1,396	1,396	-	3,911	3,911	3,911	-
Fund Balances - September 30, Budgetary Basis	\$ 3,233	\$ 3,233	\$ 20,788	\$ 17,555	\$ 12,578	\$ 10,476	\$ 43,486	\$ 33,010

See accompanying independent auditors' report.

NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are used to account for City operations that are financed and operated in a manner similar to private business enterprises. The intent of the City in using this type of fund is to determine that the costs (expenses, including depreciation) of providing these services to the general public on a continuing basis are financed or recovered primarily through user charges.

The Sewer Fund is used to account for the maintenance and replacement of the City's sewer pipelines and sewage facilities.

The Airport Fund is used to account for the operation and maintenance of the Long Beach Municipal Airport and leaseholds.

The Towing Fund is used to account for the City's towing services, which are used primarily by the Police and Public Works Departments to remove vehicles that have been abandoned or parked illegally on the City's streets.

The Subsidence Fund is used to account for the accumulation of resources to minimize and remedy future land sinkage due to oil operations in the tidelands area.

City of Long Beach
Nonmajor Proprietary Funds
Combining Statement of Net Assets
September 30, 2006
With Summarized Financial Information for 2005
(In Thousands)

					Totals	
	Sewer	Airport	Towing	Subsidence	September 30, 2006	September 30, 2005
ASSETS						
Current Assets:						
Pooled Cash and Cash Equivalents	\$ 10,125	\$ 13,622	\$ 1,643	\$ -	\$ 25,390	\$ 22,662
Receivables:						
Accounts Receivable	434	1,536	458	-	2,428	2,186
Due from Other Governments	-	2,640	-	-	2,640	1,364
Other Receivables	-	64	-	-	64	62
Allowance for Receivables	(27)	(33)	(251)	-	(311)	(301)
Inventory	66	-	-	-	66	71
Total Current Assets	10,598	17,829	1,850	-	30,277	26,044
Restricted Assets:						
Pooled Cash and Cash Equivalents	-	4,053	-	146,659	150,712	147,050
Non-Pooled Cash and Cash Equivalents	-	1,043	-	-	1,043	1,006
Non-Pooled Investments	-	-	-	3,169	3,169	3,449
Interest Receivable	-	-	-	35	35	41
Accounts Receivable	-	291	-	-	291	341
Total Restricted Assets	-	5,387	-	149,863	155,250	151,887
Noncurrent Assets:						
Other Noncurrent Receivables	-	487	-	-	487	543
Advances to Other Funds	-	-	-	8,114	8,114	4,054
Capital Assets:						
Land and Other Capital Assets not Being Depreciated	3,625	11,477	-	-	15,102	16,950
Capital Assets net of Accumulated Depreciation	38,995	73,817	147	-	112,959	104,258
Total Noncurrent Assets	42,620	85,781	147	8,114	136,662	125,805
Total Assets	53,218	108,997	1,997	157,977	322,189	303,736
LIABILITIES						
Current Liabilities Payable from Current Assets:						
Accounts Payable	791	964	20	-	1,775	1,917
Accrued Wages	97	184	64	-	345	295
Accrued Interest Payable	-	168	-	-	168	181
Due to Other Funds	51	161	32	-	244	153
Deferred Revenues	-	308	-	8,114	8,422	4,193
Collections Held in Trust	-	158	-	-	158	119
Advances from Developers	32	-	-	-	32	31
Other Long-Term Obligations-Current	-	785	-	-	785	750
Total Current Liabilities	971	2,728	116	8,114	11,929	7,639
Current Liabilities Payable from Restricted Assets:						
Accounts Payable	-	65	-	-	65	30
Noncurrent Liabilities:						
Deferred Revenues	-	6,235	-	-	6,235	2,574
Other Long-Term Obligations	-	10,195	-	-	10,195	10,980
Unamortized Discount/Deferred cost	-	(1,167)	-	-	(1,167)	(1,324)
Total Noncurrent Liabilities	-	15,263	-	-	15,263	12,230
Total Liabilities	971	18,056	116	8,114	27,257	19,899
NET ASSETS						
Investment in Capital Assets, Net of Related Debt	42,620	75,481	147	-	118,248	111,809
Restricted for:						
Debt Service	-	1,098	-	-	1,098	1,173
Capital Projects	-	4,224	-	-	4,224	1,193
Subsidence	-	-	-	149,863	149,863	148,484
Unrestricted	9,627	10,138	1,734	-	21,499	21,178
Total Net Assets	\$ 52,247	\$ 90,941	\$ 1,881	\$ 149,863	\$ 294,932	\$ 283,837

See accompanying independent auditors' report.

City of Long Beach
Nonmajor Proprietary Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Fiscal Year Ended September 30, 2006
With Summarized Financial Information for 2005
(In Thousands)

					Totals	
	Sewer	Airport	Towing	Subsidence	September 30, 2006	September 30, 2005
Operating Revenues:						
Fees, Concessions and Rentals	\$ -	\$ 24,796	\$ -	\$ -	\$ 24,796	\$ 24,695
Charges for Services	9,244	-	7,773	-	17,017	17,340
Total Operating Revenues	9,244	24,796	7,773	-	41,813	42,035
Operating Expenses:						
Personal Services	2,689	6,915	2,585	-	12,189	10,863
Maintenance and Other Operations	3,815	13,818	6,063	-	23,696	20,947
Depreciation	1,233	3,737	9	-	4,979	3,218
Total Operating Expenses	7,737	24,470	8,657	-	40,864	35,028
Operating Income (Loss)	1,507	326	(884)	-	949	7,007
Non-Operating Income (Expense):						
Interest Income	366	617	83	5,439	6,505	4,559
Interest Expense	-	(724)	-	-	(724)	(736)
Loss on Disposition of Capital Assets	(12)	-	-	-	(12)	-
Operating Grants	-	58	-	-	58	1,283
Other Income (Expense)	1	4,289	74	(4,060)	304	383
Total Non-Operating Income (Expense)	355	4,240	157	1,379	6,131	5,489
Income (Loss) Before Contributions	1,862	4,566	(727)	1,379	7,080	12,496
Capital Grants and Contributions	-	4,015	-	-	4,015	17,290
Change in Net Assets	1,862	8,581	(727)	1,379	11,095	29,786
Net Assets - October 1	50,385	82,360	2,608	148,484	283,837	254,051
Net Assets - September 30	\$ 52,247	\$ 90,941	\$ 1,881	\$ 149,863	\$ 294,932	\$ 283,837

See accompanying independent auditors' report.

City of Long Beach
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended September 30, 2006
With Summarized Financial Information for 2005
(In Thousands)

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>Sewer</u>	<u>Airport</u>	<u>Towing</u>	<u>Subsidence</u>	<u>Totals</u>	
					<u>September 30, 2006</u>	<u>September 30, 2005</u>
Cash Flows from Operating Activities:						
Receipts from Customers	\$ 9,228	\$ 28,556	\$ 7,773	\$ -	\$ 45,557	\$ 43,123
Payments for Employee Salaries	(2,661)	(6,883)	(2,583)	-	(12,127)	(10,845)
Payments for Goods and Services	(3,276)	(8,769)	(3,235)	-	(15,280)	(16,297)
Payments in Lieu of Taxes	-	(5,413)	(2,878)	-	(8,291)	(7,404)
Other Expense	-	437	73	-	510	4,426
Net Cash Provided by (Used for) Operating Activities	<u>3,291</u>	<u>7,928</u>	<u>(850)</u>	<u>-</u>	<u>10,369</u>	<u>13,003</u>
Cash Flows from Non-Capital Financing Activities:						
Operating Grants Received from Other Governments	-	58	-	-	58	1,283
Cash Flows from Capital and Related Financing Activities:						
Receipt of Capital Grants	-	3,852	-	-	3,852	
Receipts of Contributed Capital	-	2,739	-	-	2,739	19,201
Payments for Capital Acquisitions	(2,807)	(9,187)	-	-	(11,994)	(24,784)
Payments of Principal on Bonds Payable	-	(750)	-	-	(750)	310
Payments of Interest	-	(580)	-	-	(580)	(863)
Net Cash Used for Capital and Related Financing Activities	<u>(2,807)</u>	<u>(3,926)</u>	<u>-</u>	<u>-</u>	<u>(6,733)</u>	<u>(6,136)</u>
Cash Flows from Investing Activities:						
Proceeds from the Sale of Investments	-	-	-	369	369	3,340
Payments to Other Government Entities	-	-	-	(4,061)	(4,061)	(4,054)
Receipts of Interest	367	617	84	5,357	6,425	5,047
Net Cash Provided by (Used for) Investing Activities	<u>367</u>	<u>617</u>	<u>84</u>	<u>1,665</u>	<u>2,733</u>	<u>4,333</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>851</u>	<u>4,677</u>	<u>(766)</u>	<u>1,665</u>	<u>6,427</u>	<u>12,483</u>
Cash and Cash Equivalents - October 1	<u>9,274</u>	<u>14,041</u>	<u>2,409</u>	<u>144,994</u>	<u>170,718</u>	<u>158,235</u>
Cash and Cash Equivalents - September 30	<u>\$ 10,125</u>	<u>\$ 18,718</u>	<u>\$ 1,643</u>	<u>\$ 146,659</u>	<u>\$ 177,145</u>	<u>\$ 170,718</u>

RECONCILIATION OF OPERATING
INCOME (LOSS) TO NET CASH PROVIDED BY
(USED FOR) OPERATING ACTIVITIES

Operating Income (Loss)	\$ 1,507	\$ 326	\$ (884)	\$ -	\$ 949	\$ 7,007
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:						
Depreciation and Amortization Expense	1,233	3,737	9	-	4,979	3,218
Other Income	8	437	73	-	518	4,426
(Increase) Decrease in Accounts Receivable, Net	(17)	(109)	-	-	(126)	1,012
(Increase) Decrease in Inventory	5	-	-	-	5	(10)
Increase (Decrease) in Accounts Payable	384	(443)	(50)	-	(109)	(1,060)
Increase in Accrued Wages Payable	28	33	-	-	61	14
Increase (Decrease) in Amounts Due to Other Funds	143	78	2	-	223	(1,691)
Increase in Deferred Revenues	-	3,829	-	-	3,829	76
Increase in Collections Held in Trust	-	40	-	-	40	11
Total Adjustments	<u>1,784</u>	<u>7,602</u>	<u>34</u>	<u>-</u>	<u>9,420</u>	<u>5,996</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 3,291</u>	<u>\$ 7,928</u>	<u>\$ (850)</u>	<u>\$ -</u>	<u>\$ 10,369</u>	<u>\$ 13,003</u>

See accompanying independent auditors' report.

INTERNAL SERVICE FUNDS

Internal Service Funds are established to finance and account for goods and services provided by one City department to other City departments on a cost-reimbursement basis, including depreciation.

The Civic Center Fund is used to account for the operation and maintenance of the City Hall and Main Library Complex.

The General Services Fund is used to account for the operation, maintenance and replacement of the City's electronic data processing equipment and software, radio systems, telephone, mailing and reprographics services.

The Fleet Services Fund is used to account for the operation, maintenance and replacement of the City's fleet of vehicles and equipment.

The Insurance Fund is used to finance and account for the City's risk management and self-insurance programs.

The Employee Benefits Fund is used to finance and account for compensated absences, employer payroll taxes, and health and retirement benefits.

City of Long Beach
Internal Service Funds
Combining Statement of Net Assets (Deficit)
September 30, 2006
With Summarized Financial Information for 2005
(In Thousands)

	Civic Center	General Services	Fleet Services	Insurance	Employee Benefits	Totals	
						September 30, 2006	September 30, 2005
ASSETS							
Current Assets:							
Pooled Cash and Cash Equivalents	\$ 13,267	\$ 5,096	\$ 15,232	\$ 6,510	\$ 49,518	\$ 89,623	\$ 104,842
Receivables:							
Accounts Receivable	2	1,064	1,030	8,000	-	10,096	1,134
Due from Other Governments	-	340	303	59	-	702	966
Due from Other Funds	-	-	51	-	6,483	6,534	5,643
Allowance for Receivables	-	-	(329)	-	-	(329)	(249)
Inventory	-	157	1,580	-	-	1,737	1,519
Total Current Assets	13,269	6,657	17,867	14,569	56,001	108,363	113,855
Restricted Assets:							
Pooled Cash and Cash Equivalents	-	-	-	-	7,326	7,326	14,332
Non-Pooled Cash and Cash Equivalents	9,678	-	2,679	-	-	12,357	11,977
Deposits	-	-	-	-	6,858	6,858	2,848
Total Restricted Assets	9,678	-	2,679	-	14,184	26,541	29,157
Noncurrent Assets:							
Other Noncurrent Receivables	-	2,137	-	-	-	2,137	-
Capital Assets:							
Land and Other Capital Assets not Being Depreciated	6,938	584	2,140	-	-	9,662	7,314
Capital Assets net of Accumulated Depreciation	60,914	7,845	53,683	409	-	122,851	124,094
Other Assets-Long-Term	-	11	-	-	71,409	71,420	78,565
Total Noncurrent Assets	67,852	10,577	55,823	409	71,409	206,070	209,973
Total Assets	90,799	17,234	76,369	14,978	141,594	340,974	352,985
LIABILITIES							
Current Liabilities payable from Current Assets:							
Accounts Payable	1,136	646	844	763	9	3,398	7,041
Accrued Wages and Benefits	41	334	174	232	33,196	33,977	30,286
Accrued Interest Payable	94	1	136	-	4,460	4,691	3,481
Due to Other Funds	20	457	86	115	-	678	649
Collections Held in Trust	-	-	-	-	489	489	513
Employee Benefits-Current	-	-	-	-	6,200	6,200	7,900
Accrued Self-Insurance Claims-Current	-	-	-	19,010	-	19,010	21,750
Obligations Under Capital Leases-Current	256	1,493	465	-	-	2,214	1,887
Bonds Payable Due Within One Year	1,015	-	865	-	5,830	7,710	7,300
Total Current Liabilities	2,562	2,931	2,570	20,120	50,184	78,367	80,807
Noncurrent Liabilities:							
Employee Benefits	-	-	-	-	64,356	64,356	61,576
Accrued Self-Insurance Claims	-	-	-	85,780	-	85,780	112,362
Obligations Under Capital Lease	-	2,796	4,365	-	-	7,161	2,449
Bonds Payable	35,370	-	32,180	-	83,635	151,185	161,295
Unamortized Discount/Deferred cost	(1,640)	-	(2,279)	-	(9,431)	(13,350)	(15,016)
Total Noncurrent Liabilities	33,730	2,796	34,266	85,780	138,560	295,132	322,666
Total Liabilities	36,292	5,727	36,836	105,900	188,744	373,499	403,473
NET ASSETS (DEFICIT)							
Investment in Capital Assets, Net of Related Debt	39,557	6,277	25,057	409	-	71,300	66,410
Restricted for:							
Debt Service	2,972	-	2,679	-	59	5,710	9,604
Health Care Insurance	-	-	-	-	14,125	14,125	13,088
Unrestricted	11,978	5,230	11,797	(91,331)	(61,334)	(123,660)	(139,590)
Total Net Assets (Deficit)	\$ 54,507	\$ 11,507	\$ 39,533	\$ (90,922)	\$ (47,150)	\$ (32,525)	\$ (50,488)

See accompanying independent auditors' report.

City of Long Beach
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficit)
For the Fiscal Year Ended September 30, 2006
With Summarized Financial Information for 2005
(In Thousands)

						Totals	
	Civic Center	General Services	Fleet Services	Insurance	Employee Benefits	September 30, 2006	September 30, 2005
Operating Revenues:							
Billing to Other Departments	\$ 9,675	\$ 26,346	\$ 24,854	\$ 34,712	\$ 172,751	\$ 268,338	\$ 252,267
Other	405	3,638	2,072	14	-	6,129	5,468
Total Operating Revenues	10,080	29,984	26,926	34,726	172,751	274,467	257,735
Operating Expenses:							
Personal Services	1,619	12,826	7,244	7,008	1,948	30,645	30,288
Maintenance and Other Operations	2,318	13,658	11,354	6,780	1,616	35,726	37,808
Insurance Premiums	-	-	-	2,804	-	2,804	2,906
Self-Insured Losses	-	-	-	7,841	-	7,841	54,088
Compensated Absences	-	-	-	2,276	41,132	43,408	39,424
Employee Benefits	-	-	-	-	120,906	120,906	115,306
Amortization	137	-	-	-	8,648	8,785	6,539
Depreciation	2,983	2,179	6,871	127	-	12,160	10,375
Total Operating Expenses	7,057	28,663	25,469	26,836	174,250	262,275	296,734
Operating Income (Loss)	3,023	1,321	1,457	7,890	(1,499)	12,192	(38,999)
Non-Operating Income (Expense):							
Interest Income	598	23	170	925	678	2,394	1,890
Interest Expense	(1,893)	(87)	(1,896)	-	(6,071)	(9,947)	(8,737)
Gain (Loss) on Disposition of Capital Assets	-	37	192	-	-	229	332
Other Income	(46)	1,374	427	9,633	4,026	15,414	5,886
Total Non-Operating Income (Expense)	(1,341)	1,347	(1,107)	10,558	(1,367)	8,090	(629)
Income (Loss) Before Contributions and Transfers	1,682	2,668	350	18,448	(2,866)	20,282	(39,628)
Capital Grants & Contributions	176	-	-	-	-	176	34,546
Transfers:							
Transfers In	-	-	484	-	-	484	1,350
Transfers Out	(500)	(2,479)	-	-	-	(2,979)	(5,859)
Change in Net Assets	1,358	189	834	18,448	(2,866)	17,963	(9,591)
Net Assets (Deficit) - October 1	53,149	11,318	38,699	(109,370)	(44,284)	(50,488)	(40,897)
Net Assets (Deficit) - September 30	\$ 54,507	\$ 11,507	\$ 39,533	\$ (90,922)	\$ (47,150)	\$ (32,525)	\$ (50,488)

See accompanying independent auditors' report.

City of Long Beach
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended September 30, 2006
With Summarized Financial Information for 2005
(In Thousands)

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	Civic Center	General Services	Fleet Services	Insurance	Employee Benefits	<u>Totals</u>	
						September 30, 2006	September 30, 2005
Cash Flows from Operating Activities:							
Receipts from Customers	\$ 405	\$ 3,638	\$ 1,806	\$ -	\$ -	\$ 5,849	\$ 4,745
Receipts from Other Funds	9,675	26,146	24,805	26,729	171,910	259,265	251,548
Payments for Employee Salaries	(1,622)	(12,813)	(7,249)	(6,989)	(2,163)	(30,836)	(30,042)
Payments for Goods and Services	(1,569)	(14,464)	(14,458)	(9,926)	(1,955)	(42,372)	(36,686)
Payments for Compensated Absences	-	-	-	(15,960)	(37,827)	(53,787)	(53,553)
Payments for Employee Benefits	-	-	-	-	(123,277)	(123,277)	(113,434)
Payments for Liability Claims	-	-	-	(23,479)	-	(23,479)	(2,316)
Other Income	(46)	1,224	426	9,633	4,026	15,263	5,730
Net Cash Provided by (Used for) Operating Activities	6,843	3,731	5,330	(19,992)	10,714	6,626	25,992
Cash Flows from Non-Capital Financing Activities:							
Operating Subsidies Received from Other Funds	-	-	484	-	-	484	-
Transfers Out	(500)	(2,482)	-	-	-	(2,982)	(4,508)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(500)	(2,482)	484	-	-	(2,498)	(4,508)
Cash Flows from Capital and Related Financing Activities:							
Proceeds from the Sale of Capital Assets	-	40	302	-	-	342	499
Proceeds from Issuance Of Long-Term Obligations	-	-	4,830	-	-	4,830	10,328
Receipts of Contributed Capital	176	-	-	-	-	176	165
Payments for Capital Acquisitions	(1,195)	(2,035)	(10,127)	(19)	-	(13,376)	(14,534)
Payments of Principal on Other Long- Term Obligations	(1,734)	(1,164)	(940)	-	(7,790)	(11,628)	(8,356)
Payments to Defeas Bonds	-	-	-	-	-	-	(7,605)
Payments of Interest	(1,804)	(87)	(1,696)	-	(5,123)	(8,710)	(7,919)
Net Cash Used for Capital and Related Financing Activities	(4,557)	(3,246)	(7,631)	(19)	(12,913)	(28,366)	(27,422)
Cash Flows from Investing Activities:							
Receipts of Interest	598	23	170	924	678	2,393	1,889
Net Increase (Decrease) in Cash and Cash Equivalents	2,384	(1,974)	(1,647)	(19,087)	(1,521)	(21,845)	(4,049)
Cash and Cash Equivalents - October 1	20,561	7,070	19,558	25,597	58,365	131,151	135,200
Cash and Cash Equivalents - September 30	\$ 22,945	\$ 5,096	\$ 17,911	\$ 6,510	\$ 56,844	\$ 109,306	\$ 131,151

RECONCILIATION OF OPERATING
INCOME (LOSS) TO NET CASH PROVIDED BY
(USED FOR) OPERATING ACTIVITIES

Operating Income (Loss)	\$ 3,023	\$ 1,321	\$ 1,457	\$ 7,890	\$ (1,499)	\$ 12,192	\$ (38,999)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for)							
Operating Activities:							
Depreciation and Amortization Expense	3,120	2,179	6,871	127	8,648	20,945	16,914
Other Income (Expense)	(46)	1,378	426	9,633	16	11,407	3,037
(Increase) Decrease in Accounts Receivable, Net	-	(200)	(684)	(8,000)	-	(8,884)	25
(Increase) Decrease in Amounts Due from Other Governments	-	(153)	418	-	-	265	(870)
(Increase) Decrease in Amounts Due from Other Funds	-	-	2	-	(840)	(838)	(727)
(Increase) Decrease in Inventory	-	-	(219)	-	-	(219)	22
Increase (Decrease) in Accounts Payable	748	(823)	(2,887)	(342)	(340)	(3,644)	3,679
Increase (Decrease) in Accrued Wages Payable	(2)	14	(5)	10	4,753	4,770	4,036
Increase (Decrease) in Amounts Due to Other Funds	-	15	(49)	11	-	(23)	313
Increase (Decrease) in Accrued Claims Payable	-	-	-	(29,321)	-	(29,321)	38,180
Increase (Decrease) in Collections Held in Trust	-	-	-	-	(24)	(24)	382
Total Adjustments	3,820	2,410	3,873	(27,882)	12,213	(5,566)	64,991
Net Cash Provided by (Used for) Operating Activities	\$ 6,843	\$ 3,731	\$ 5,330	\$ (19,992)	\$ 10,714	\$ 6,626	\$ 25,992

See accompanying independent auditors' report.

FIDUCIARY FUNDS

Fiduciary Funds, comprised of Private Purpose Trust and Agency Funds, are used to account for assets held by the City in a trustee capacity or as an agent for other governmental units, private organizations or individuals.

Private Purpose Trust Funds are used to account for trust monies, wherein the principal and interest of the trust can be expended by the City in accordance with the terms of the trust agreement.

The Miller Library and Miller Museum Funds are used to account for bequests from Lorraine Miller Collins. The principal and interest on the trusts are to be used to maintain and purchase materials for the Miller Special Collections room in the City's Main Library.

The Mayor's Fund for the Homeless is used to account for donations from the public for use in assisting the City's homeless population.

Agency Funds are used to account for funds held by the City as an agent for other governmental units, private organizations or individuals.

City of Long Beach
Fiduciary Funds
Private Purpose Trust Funds
Combining Statement of Net Assets
September 30, 2006
With Summarized Financial Information for 2005
(In Thousands)

	Miller Library	Mayor's Fund for the Homeless	Totals	
			September 30, 2006	September 30, 2005
ASSETS				
Restricted Pooled Cash and Cash Equivalents	\$ 867	\$ 76	\$ 943	\$ 978
NET ASSETS				
Held in Trust for Private Purpose Trust Funds	\$ 867	\$ 76	\$ 943	\$ 978

City of Long Beach
Fiduciary Funds
Private Purpose Trust Funds
Combining Statement of Changes in Net Assets
For the Fiscal Year Ended September 30, 2006
With Summarized Financial Information for 2005
(In Thousands)

	Miller Library	Mayor's Fund for the Homeless	Totals	
			September 30, 2006	September 30, 2005
Additions:				
Use of Money and Property	\$ 31	\$ 6	\$ 37	\$ 26
Contributions from Citizens	-	28	28	30
Total Additions	31	34	65	56
Deductions:				
Community and Cultural	15	85	100	45
Change in Net Assets	16	(51)	(35)	11
Net Assets, October 1	851	127	978	967
Net Assets, September 30	\$ 867	\$ 76	\$ 943	\$ 978

See accompanying independent auditors' report.

City of Long Beach
Fiduciary Funds - Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended September 30, 2006
(In Thousands)

	Balance October 1, 2005	Additions	Deletions	Balance September 30, 2006
<u>BELMONT SHORE PARKING</u>				
<u>DISTRICT FUND</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 89	\$ -	\$ -	\$ 89
LIABILITIES				
Accounts Payable	\$ 89	\$ -	\$ -	\$ 89
<u>TAXES - OIL RIGHTS FUND</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 1,422	\$ 52	\$ -	\$ 1,474
LIABILITIES				
Collections Held in Trust	\$ 1,422	\$ 104	\$ 52	\$ 1,474
<u>SPECIAL ASSESSMENT DISTRICT FUND</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 1,669	\$ 7,202	\$ 4,180	\$ 4,691
Non-Pooled Cash and Cash Equivalents	7,293	2,747	4,613	5,427
Total Assets	\$ 8,962	\$ 9,949	\$ 8,793	\$ 10,118
LIABILITIES				
Due to Special Assessment Bondholders	\$ 184	\$ 4,523	\$ 3,126	\$ 1,581
Collections Held in Trust	8,778	4,947	5,188	8,537
Total Liabilities	\$ 8,962	\$ 9,470	\$ 8,314	\$ 10,118
<u>INTERMODAL CONTAINER TRANSFER FACILITY</u>				
<u>JOINT POWER AUTHORITY FUND</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 2,775	\$ 6,694	\$ 7,000	\$ 2,469
LIABILITIES				
Collections Held in Trust	\$ 2,775	\$ 6,892	\$ 7,198	\$ 2,469
<u>EARTHQUAKE ASSESSMENT DISTRICT FUND</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 1,058	\$ 1,064	\$ 1,107	\$ 1,015
LIABILITIES				
Due to Special Assessment Bondholders	\$ 770	\$ 1,106	\$ 1,153	\$ 723
Collections Held in Trust	288	8	4	292
Total Liabilities	\$ 1,058	\$ 1,114	\$ 1,157	\$ 1,015

(continued)

City of Long Beach
Fiduciary Funds - Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended September 30, 2006
(In Thousands)
(continued)

	Balance October 1, 2005	Additions	Deletions	Balance September 30, 2006
<u>OTHER AGENCY FUNDS</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 729	\$ 1,513	\$ 1,026	\$ 1,216
Non-Pooled Cash and Cash Equivalents	-	20	-	20
Accounts Receivable	-	20	20	-
Land	-	11,000	-	11,000
Total Assets	<u>\$ 729</u>	<u>\$ 12,553</u>	<u>\$ 1,046</u>	<u>\$ 12,236</u>
LIABILITIES				
Accounts Payable	\$ 2	\$ 170	\$ 170	\$ 2
Collections Held in Trust	727	12,518	1,011	12,234
Total Liabilities	<u>\$ 729</u>	<u>\$ 12,688</u>	<u>\$ 1,181</u>	<u>\$ 12,236</u>
 <u>TOTAL AGENCY FUND</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 7,742	\$ 16,525	\$ 13,313	\$ 10,954
Non-Pooled Cash and Cash Equivalents	7,293	2,767	4,613	5,447
Accounts Receivable	-	20	20	-
Land	-	11,000	-	11,000
Total Assets	<u>\$ 15,035</u>	<u>\$ 30,312</u>	<u>\$ 17,946</u>	<u>\$ 27,401</u>
LIABILITIES				
Accounts Payable	\$ 91	\$ 170	\$ 170	\$ 91
Due to Special Assessment Bondholders	954	5,629	4,279	2,304
Collections Held in Trust	13,990	24,469	13,453	25,006
Total Liabilities	<u>\$ 15,035</u>	<u>\$ 30,268</u>	<u>\$ 17,902</u>	<u>\$ 27,401</u>

See accompanying independent auditors' report.

**CAPITAL ASSETS
USED IN THE OPERATION OF
GOVERNMENTAL FUNDS**

This section of the CAFR provides additional information regarding the infrastructure and capital assets used in the City's governmental fund operations. These assets are reported only in the governmental activities column of the government-wide Statement of Net Assets. In addition to the information about such assets provided in the Notes to the Basic Financial Statements, this section provides information on the source of funding for the assets, the function and activity to which the assets are charged and changes in such assets by function and activity.

City of Long Beach
Capital Assets Used in the Operations of Governmental Funds
Schedule by Source ¹
September 30, 2006
(In Thousands)

Governmental Funds Capital Assets:

Land	\$ 112,768
Right-a-way	81,311
Construction In Progress	90,316
Building	117,925
Improvements other than Buildings	54,213
Infrastructure	348,126
Machinery and Equipment	36,627
Automotive	9,783
Other Assets	30,719
Less Accumulated Depreciation	<u>(292,734)</u>
Governmental Funds Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 589,054</u></u>

Investments in Governmental Funds Capital Assets by Source:

General Fund	\$ 295,821
Special Revenue Funds	139,396
Capital Projects Funds	<u>153,837</u>
	<u><u>\$ 589,054</u></u>

¹ This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

See accompanying independent auditors' report.

City of Long Beach
Capital Assets Used in the Operations of Governmental Funds
Schedule by Function ¹
September 30, 2006
(In Thousands)

	Capital Assets not being Depreciated			Capital Assets, net of Depreciation						Total
	Land	Right-a-way	Construction In Progress	Improvements other than		Machinery and Equipment	Auto-motive	Other Assets		
				Building	Buildings				Infrastructures	
Legislative and Legal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48	\$ -	\$ -	\$ 48	
General Government	58	-	-	4,719	164	59	-	-	5,000	
Public Safety	2,765	-	-	42,078	465	10,479	751	-	56,538	
Public Health	4,594	-	-	6,234	2,618	269	-	-	13,715	
Community & Cultural	102,614	-	-	34,553	23,201	159	4	4,259	168,370	
Public Works	2,737	81,311	90,316	160	7,330	68	5,993	-	345,383	
	\$ 112,768	\$ 81,311	\$ 90,316	\$ 87,744	\$ 33,778	\$ 11,082	\$ 6,748	\$ 4,259	\$ 589,054	

¹ This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

See accompanying independent auditors' report.

City of Long Beach
Capital Assets Used in the Operations of Governmental Funds
Schedule of Changes by Function ¹
September 30, 2006
(In Thousands)

	Balance at October 1, 2005	Increase (Decrease), net of Depreciation Expense	Decrease, net of Accumulated Depreciation	Balance at September 30, 2006
Legislative and Legal	\$ 235	\$ (137)	\$ (50)	\$ 48
General Government	5,439	(277)	(162)	5,000
Public Safety	59,089	(2,551)	-	56,538
Public Health	11,347	2,368	-	13,715
Community & Cultural	170,097	(1,632)	(95)	168,370
Public Works	248,441	115,431	(18,489)	345,383
	<u>\$ 494,648</u>	<u>\$ 113,202</u>	<u>\$ (18,796)</u>	<u>\$ 589,054</u>

1 This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

See accompanying independent auditors' report.

STATISTICAL SECTION

This part of the City of Long Beach's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Long Beach
Net Assets by Component
Last Five Fiscal Years
(accrual basis of accounting)
(In Thousands)

	Fiscal Year				
	2002	2003	2004	2005	2006
Governmental activities:					
Invested in capital assets, net of related debt	\$ 197,111	\$ 233,912	\$ 261,014	\$ 99,122	\$ 209,230
Restricted	313,119	313,047	286,745	474,313	496,094
Unrestricted	(56,298)	(85,689)	(78,179)	(118,328)	(106,380)
Total governmental activities net assets	<u>\$ 453,932</u>	<u>\$ 461,270</u>	<u>\$ 469,580</u>	<u>\$ 455,107</u>	<u>\$ 598,944</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 1,399,761	\$ 1,484,399	\$ 1,534,595	\$ 1,564,750	\$ 1,572,117
Restricted	539,903	453,919	498,341	505,875	523,769
Unrestricted	321,924	396,157	446,833	586,327	733,495
Total business-type activities net assets	<u>\$ 2,261,588</u>	<u>\$ 2,334,475</u>	<u>\$ 2,479,769</u>	<u>\$ 2,656,952</u>	<u>\$ 2,829,381</u>
Primary government:					
Invested in capital assets, net of related debt	\$ 1,596,872	\$ 1,718,311	\$ 1,795,609	\$ 1,663,872	\$ 1,781,347
Restricted	853,022	766,966	785,086	980,188	1,019,863
Unrestricted	265,626	310,468	368,654	467,999	627,115
Total primary government net assets	<u>\$ 2,715,520</u>	<u>\$ 2,795,745</u>	<u>\$ 2,949,349</u>	<u>\$ 3,112,059</u>	<u>\$ 3,428,325</u>

The City of Long Beach implemented GASB 34 for the fiscal year ended September 30, 2002.
Information prior to the implementation of GASB 34 is not available.
See accompanying independent auditors' report.

City of Long Beach
Changes in Net Assets
Last Five Fiscal Years
(accrual basis of accounting)
(In Thousands)

	Fiscal Year				
	2002	2003	2004	2005	2006
Expenses:					
Governmental Activities:					
Legislative and Legal	\$ 10,471	\$ 9,457	\$ 9,721	\$ 10,313	\$ 12,003
General Government	28,564	24,635	23,179	25,808	13,988
Public Safety	228,214	231,514	227,601	280,415	255,188
Public Health	37,872	39,515	42,184	43,874	44,024
Community & Cultural	145,376	159,765	164,982	177,210	186,528
Public Works	54,352	56,545	67,425	58,783	55,009
Oil Operations	4,672	5,516	6,215	6,367	7,192
Interest on Long-Term Debt	23,660	24,761	22,652	30,831	34,554
Total Governmental Activities Expenses	533,181	551,708	563,959	633,601	608,486
Business-type activities:					
Gas	55,334	68,728	76,408	89,463	99,656
Water	58,814	55,756	57,849	62,075	62,480
Sewer	7,858	8,748	7,787	7,337	7,612
Airport	18,666	18,747	19,476	22,465	24,816
Solid Waste Management	71,202	71,027	70,658	70,493	73,679
Towing	5,845	5,427	6,762	6,858	8,520
Tidelands	81,261	80,880	83,501	94,033	105,671
Tideland Oil Revenue	36,451	70,376	102,098	188,250	264,355
Subsidence	3,187	2,401	441	4,054	4,061
Harbor	131,500	175,821	198,084	207,689	214,349
Total Business-Type Activities Expenses	470,118	557,911	623,064	752,717	865,199
Total Primary Government Expenses	<u>\$ 1,003,299</u>	<u>\$ 1,109,619</u>	<u>\$ 1,187,023</u>	<u>\$ 1,386,318</u>	<u>\$ 1,473,685</u>
Program Revenues:					
Governmental Activities:					
Charges for services:					
Legislative and Legal	\$ 524	\$ 400	\$ 415	\$ 98	\$ 1,256
General Government	23,572	24,893	26,952	27,289	20,174
Public Safety	32,742	34,120	36,678	39,768	36,694
Public Health	6,859	7,041	7,397	7,557	6,565
Community & Cultural	17,636	17,921	18,292	23,649	23,291
Public Works	17,035	14,966	15,179	16,878	17,840
Oil Operations	8,646	11,587	13,274	17,253	21,481
Operating Grants and Contributions	138,254	135,837	143,818	142,011	166,426
Capital Grants and Contributions	10,191	14,456	13,285	11,489	13,726
Total Governmental Activities Program Revenues	255,459	261,221	275,290	285,992	307,453

(continued)

City of Long Beach
Changes in Net Assets
Last Five Fiscal Years
(accrual basis of accounting)
(In Thousands)

	Fiscal Year				
	2002	2003	2004	2005	2006
Business-Type activities:					
Charges for Services:					
Gas	62,642	75,610	88,717	104,450	113,053
Water	60,453	60,197	64,984	65,813	67,198
Sewer	8,050	9,056	9,283	9,729	9,245
Airport	13,357	23,540	27,905	29,121	29,086
Solid Waste Management	69,500	69,441	71,198	70,128	80,015
Towing	5,448	5,640	6,770	7,622	7,846
Tidelands	46,860	50,870	53,887	55,436	73,013
Tideland Oil Revenue	44,521	85,839	131,035	208,488	266,992
Harbor	226,459	249,542	280,782	338,167	354,125
Operating grants and contributions	3,597	886	1,066	2,520	1,184
Capital grants and contributions	36,691	9,625	23,500	25,787	8,947
Total Business-Type Activities					
Program Revenues	577,578	640,246	759,127	917,261	1,010,704
Total Primary Government Program Revenues	\$ 833,037	\$ 901,467	\$ 1,034,417	\$ 1,203,253	\$ 1,318,157
Net Revenues (expenses):					
Governmental Activities	\$ (277,722)	\$ (290,487)	\$ (288,669)	\$ (347,609)	\$ (301,033)
Business-Type Activities	107,460	82,335	136,063	164,544	145,505
Total Net Revenues (expenses)	\$ (170,262)	\$ (208,152)	\$ (152,606)	\$ (183,065)	\$ (155,528)
General revenues and other changes in net assets:					
Governmental Activities:					
Taxes:					
Property	\$ 79,814	\$ 87,285	\$ 107,796	\$ 123,924	\$ 141,335
Sales	41,246	44,863	42,383	48,216	51,557
Utility Users	55,838	50,883	45,339	39,216	40,637
Other	38,262	42,841	46,616	51,238	58,291
Grants and Contributions not Restricted to Specific Programs	35,621	27,917	28,693	39,205	115,668
Unrestricted Investment Earnings	17,175	13,369	12,325	16,213	23,520
Gain (Loss) on Sales of Capital Assets	(42)	977	317	810	806
Capital Asset Transfers	7,780	21,790	926	-	-
Transfers	5,317		12,584	14,314	13,056
Total governmental activities	281,011	289,925	296,979	333,136	444,870
Business-type activities:					
Unrestricted Investment Earnings	32,279	24,378	25,280	27,599	42,021
Loss on Sales of Capital Assets	(11,393)	(12,036)	(2,539)	(665)	(2,041)
Capital Asset Transfers	-	(21,790)	(926)	19	-
Transfers	(5,317)	-	(12,584)	(14,314)	(13,056)
Total business-type activities	15,569	(9,448)	9,231	12,639	26,924
Total primary government	\$ 296,580	\$ 280,477	\$ 306,210	\$ 345,775	\$ 471,794
Changes in net assets					
Government activities	\$ 3,289	\$ (562)	\$ 8,310	\$ (14,473)	\$ 143,837
Business-type Activities	123,029	72,887	145,294	177,183	172,429
Total primary government	\$ 126,318	\$ 72,325	\$ 153,604	\$ 162,710	\$ 316,266

The City of Long Beach implemented GASB 34 for the fiscal year ended September 30, 2002. Information prior to the implementation of GASB 34 is not available.

See accompanying independent auditors' report.

CITY OF LONG BEACH
Fund Balances of Governmental Funds
Last Five Fiscal Years
(modified accrual basis of accounting)
(In Thousands)

	Fiscal Year				
	2002	2003	2004	2005	2006
General Fund:					
Reserved	\$ 123,104	\$ 115,644	\$ 114,006	\$ 111,825	\$ 111,959
Unreserved	43,562	45,592	47,516	38,404	35,478
Total General Fund	<u>\$ 166,666</u>	<u>\$ 161,236</u>	<u>\$ 161,522</u>	<u>\$ 150,229</u>	<u>\$ 147,437</u>
All Other Governmental Funds:					
Reserved	\$ 222,687	\$ 227,051	\$ 196,602	\$ 377,560	\$ 358,094
Unreserved, Reported in:					
Special Revenue Funds	20,446	\$ 20,154	18,227	30,346	40,843
Capital Project Funds	<u>(127,645)</u>	<u>(119,856)</u>	<u>(109,292)</u>	<u>(109,326)</u>	<u>(85,187)</u>
Total All Other Governmental Funds	<u>\$ 115,488</u>	<u>\$ 127,349</u>	<u>\$ 105,537</u>	<u>\$ 298,580</u>	<u>\$ 313,750</u>

The City of Long Beach has elected to show only five years of data for this schedule.

See accompanying independent auditors' report.

City of Long Beach
Changes in Fund Balances of Governmental Funds
Last Five Fiscal Years
(modified accrual basis of accounting)
(In Thousands)

	Fiscal Year				
	2002	2003	2004	2005	2006
Revenues:					
Taxes:					
Property	\$ 80,621	\$ 87,264	\$ 107,825	\$ 124,463	\$ 141,081
Sales	41,246	44,863	42,383	48,216	51,557
Utility Users	55,838	50,883	45,339	39,216	40,637
Other Taxes	38,263	42,842	46,616	51,237	58,292
Licenses and Permits	23,401	23,103	22,878	26,269	30,008
Fines and Forfeitures	11,448	11,017	13,581	14,744	16,387
Use of Money and Property	36,859	40,135	36,856	48,849	57,964
From Other Agencies	181,874	178,275	186,426	192,722	219,946
Charges for Services	41,277	44,282	45,948	46,633	29,071
Other Land Proceeds	3,448	-	-	-	716
Other	9,687	13,922	13,106	15,987	13,892
Total Revenues	<u>523,962</u>	<u>536,586</u>	<u>560,958</u>	<u>608,336</u>	<u>659,551</u>
Expenditures:					
Current:					
Legislative and Legal	10,985	9,588	10,359	10,037	12,464
General Government	30,444	24,655	23,407	25,209	15,123
Public Safety	230,112	236,341	227,176	257,869	266,057
Public Health	37,516	38,146	41,927	41,651	44,734
Community and Cultural	151,593	158,190	177,114	179,859	199,777
Public Works	43,565	42,751	43,589	42,885	42,647
Oil Operations	4,672	5,517	5,512	6,164	7,089
Total Current Expenditures	<u>508,887</u>	<u>515,188</u>	<u>529,084</u>	<u>563,674</u>	<u>587,891</u>
Capital Improvements	46,605	39,148	55,565	30,106	39,062
Loss on Disposition of Land					
Held for Resale	198	3,134	12	4,090	-
Debt Service:					
Principal	13,253	9,169	11,001	11,942	14,822
Interest	12,556	17,327	16,282	20,806	25,289
Debt Administration Fees	76	152	247	320	147
Total Expenditures	<u>581,575</u>	<u>584,118</u>	<u>612,191</u>	<u>630,938</u>	<u>667,211</u>
Excess (deficiency) of Revenues					
Over (Under) Expenditures	<u>(57,613)</u>	<u>(47,532)</u>	<u>(51,233)</u>	<u>(22,602)</u>	<u>(7,660)</u>
Other financing sources (uses):					
Other Deferred Payments	513	159	229	221	220
Proceeds from Other Long-Term					
Obligations	138,501	58,756	17,360	188,344	40,402
Payment to Refunded Bond Escrow					
Agent	(23,223)	(38,295)	(10,729)	(3,526)	(36,135)
Reconveyance of Land	1,733	-	-	-	-
Advances-Capitalized Interest	426	512	13	491	-
Transfers In	49,106	74,534	73,563	52,782	55,900
Transfers Out	<u>(36,513)</u>	<u>(41,703)</u>	<u>(50,729)</u>	<u>(33,960)</u>	<u>(40,349)</u>
Total Other Financing					
Sources (Uses)	<u>130,543</u>	<u>53,963</u>	<u>29,707</u>	<u>204,352</u>	<u>20,038</u>
Net Change in Fund Balances	<u>\$ 72,930</u>	<u>\$ 6,431</u>	<u>\$ (21,526)</u>	<u>\$ 181,750</u>	<u>\$ 12,378</u>
Debt Service as a Percentage of					
Noncapital Expenditures	4.8%	4.9%	4.9%	5.5%	6.4%

The City of Long Beach has elected to show only five years of data for this schedule.

See accompanying independent auditors' report.

City of Long Beach
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(In Thousands)

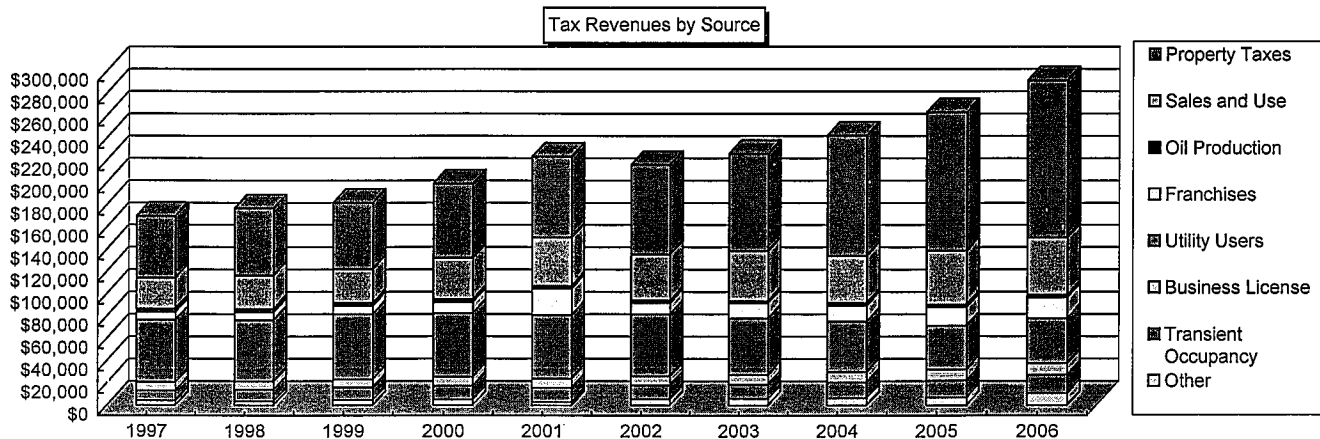
Fiscal Year-end (1)	Property Taxes	Sales and Use	Oil Production	Franchises	Utility Users	Business License	Transient Occupancy	Other (2)	Totals
1997	\$ 55,538	\$ 27,637	\$ 3,104	\$ 6,812	\$ 56,082	\$ 7,359	\$ 9,207	\$ 4,041	\$ 169,780
1998	60,136	30,140	2,937	7,033	55,170	7,316	10,475	3,491	176,698
1999	59,499	30,310	2,577	7,463	58,562	7,298	11,479	4,593	181,781
2000	66,635	37,362	2,479	9,695	57,396	7,752	12,788	4,864	198,971
2001	72,737	43,415	2,365	23,706	57,151	8,052	13,336	2,525	223,287
2002	80,621	41,246	2,257	9,976	55,838	8,067	12,447	5,516	215,968
2003	87,264	44,863	2,245	13,363	50,883	8,430	13,134	5,670	225,852
2004	107,825	42,383	2,306	14,460	45,339	9,284	14,089	6,478	242,164
2005	124,463	48,216	2,335	16,670	39,216	9,879	15,527	6,826	263,132
2006	141,081	51,557	2,245	18,501	40,637	10,345	16,548	10,652	291,567

Notes:

- (1) Tax revenues by source include all Governmental Fund Types (General, Special Revenue, and Capital Projects Funds), including property tax and transient lodging tax for the Long Beach Redevelopment Agency as indicated below in accordance with generally accepted accounting principles. The Long Beach Housing Authority had no tax revenues in

Fiscal Year-end	Property Taxes (In Thousands)	Transient Occupancy/ Other (In Thousands)
1997	\$ 13,574	\$ 1,888
1998	15,593	2,200
1999	11,229	2,337
2000	18,061	2,727
2001	18,917	2,832
2002	25,796	2,604
2003	27,475	2,778
2004	41,718	2,899
2005	50,977	3,261
2006	63,406	3,634

- (2) Includes Real Property Transfer, Special Parking, Miscellaneous Taxes, and transfers from funds in lieu of taxes.



Source: City of Long Beach, Department of Financial Management.

See accompanying independent auditors' report.

City of Long Beach
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(In Thousands)

Fiscal Year-end	City				Redevelopment Agency				Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	
1997	\$ 19,988,570	\$ 1,439,387	\$ (720,728)	\$ 20,707,229	\$ 3,334,261	\$ 426,231	\$ (349,295)	\$ 3,411,197	1.00%
1998	19,898,582	1,504,460	(720,663)	20,682,379	5,924,592	383,996	(379,502)	5,929,086	1.00%
1999	19,878,940	1,636,665	(718,025)	20,797,580	6,497,343	950,643	(392,786)	7,055,200	1.00%
2000	20,219,423	1,613,177	(688,864)	21,143,736	6,726,439	922,313	(487,795)	7,160,957	1.00%
2001	22,036,954	1,651,417	(725,200)	22,963,171	6,958,056	981,866	(514,916)	7,425,006	1.00%
2002	23,195,257	1,794,736	(608,486)	24,381,507	7,363,069	1,034,477	(468,103)	7,929,443	1.00%
2003	24,478,339	1,976,078	(722,421)	25,731,996	7,587,453	1,122,382	(574,849)	8,134,986	1.00%
2004	27,334,246	2,278,983	(783,201)	28,830,028	8,897,464	1,249,847	(627,772)	9,519,539	1.00%
2005	29,650,613	2,419,098	(678,462)	31,391,249	9,818,218	1,346,019	(500,416)	10,663,821	1.00%
2006	32,881,116	2,638,789	(916,457)	34,603,448	11,178,815	1,565,654	(678,515)	12,065,954	1.00%

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: Los Angeles County Office of Assessor

See accompanying independent auditors' report.

City of Long Beach
Property Tax Rates -
All Overlapping Governments
Per \$100 of Assessed Value -
Last Ten Fiscal Years

Fiscal Year-end	City Direct Rate	Overlapping Rates				Total
		Los Angeles County	Unified Schools	Community College	Special Districts	
1997	\$ 1.000000	\$ 0.001604	\$ -	\$ -	\$ 0.010891	\$ 1.012495
1998	1.000000	0.001584	-	-	0.011097	1.012681
1999	1.000000	0.001451	-	-	0.010853	1.012304
2000	1.000000	0.001422	0.007628	-	0.010665	1.019715
2001	1.000000	0.001314	0.015957	-	0.010352	1.027623
2002	1.000000	0.001128	0.028784	-	0.008773	1.038685
2003	1.000000	0.001000	0.035190	-	0.042800	1.078990
2004	1.000000	0.000992	0.042849	0.011705	0.006562	1.062108
2005	1.000000	0.000923	0.046671	0.012394	0.006045	1.066033
2006	1.000000	0.000795	0.040750	0.018569	0.005249	1.065363

Note:

In 1978, a State Constitutional Amendment (Proposition 13) provided that the tax rate be limited to 1% of market value, levied only by the county and shared with all other jurisdictions. All other jurisdictions and the county can levy a tax rate for voter-approved debt.

See accompanying independent auditors' report.

City of Long Beach
Principal Property Taxpayers
Current Year and Nine Fiscal Years Ago
(In Thousands)

Taxpayer	Fiscal Year 2006		Fiscal Year 1997	
	Assessed Valuation	Percent of Total Net Assessed Valuation	Assessed Valuation	Percent of Total Net Assessed Valuation
The Boeing Company	\$ 342,580	1.07 %	\$ 708,603	3.68 %
AES Alamitos LLC	288,300	0.90	-	-
GREIT One World Trade Center LP	115,921	0.36	-	-
Camden Realty Inc.	98,399	0.31	-	-
Trizechahn Colony Square GP LLC	85,300	0.27	-	-
350 Ocean Garage LLC	72,169	0.23	-	-
Coventry Long Beach Plaza LLC	71,482	0.22	-	-
1900 Ocean Partners Holdings LLC et.al.	70,487	0.22	-	-
Arco Terminal Services Corp.	68,736	0.21	51,351	0.27
Hughes Aircraft Company	64,431	0.20	50,046	0.26
Bixby Land Company	-	-	63,092	0.33
Pacific Towers Associates	-	-	50,022	0.26
Bixby Ranch Company	-	-	49,089	0.25
Landmark Square Associates	-	-	47,500	0.25
Carlyle Real Estate	-	-	45,724	0.24
Shoreline Square Management	-	-	37,310	0.19
Janss Tys Long Beach Associates	-	-	36,583	0.19
	<u>\$ 1,277,805</u>	<u>3.99 %</u>	<u>\$1,139,320</u>	<u>5.92 %</u>

Note:

Beginning with fiscal year 1989, the State Board of Equalization has deleted the public utility "unitary" values from the total public utility assessed value. The valuations exclude mineral rights, possessory interest and unsecured assessed valuations.

Source: California Municipal Statistics, Inc.

See accompanying independent auditors' report.

City of Long Beach
Property Tax Levies and Collections -
Last Ten Fiscal Years
(In Thousands)

Fiscal Year-end (1)	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections (2)	Collections as Percent of Levy	Outstanding Delinquent Taxes	Delinquent Tax as Percent of Current Levy
1997	\$ 57,408	\$ 52,932	92.2 %	\$ 1,905	\$ 54,837	95.5 %	\$ 4,214	7.3 %
1998	58,522	56,504	96.6	3,185	59,689	102.0	3,755	6.4
1999	59,378	56,320	94.8	3,636	59,956	101.0	2,857	4.8
2000	66,177	63,892	96.5	2,989	66,881	101.1	2,873	4.3
2001	70,841	69,338	97.9	2,322	71,660	101.2	3,160	4.5
2002	77,731	77,587	99.8	3,682	81,269	104.6	2,536	3.3
2003 (3)	83,222	85,699	103.0	2,245	87,944	105.7	2,401	2.9
2004	100,538	99,745	99.2	8,634	108,379	107.8	2,489	2.5
2005	116,299	113,610	97.7	11,388	124,998	107.5	2,442	2.1
2006	139,172	130,147	93.5	12,093	142,240	102.2	3,217	2.3

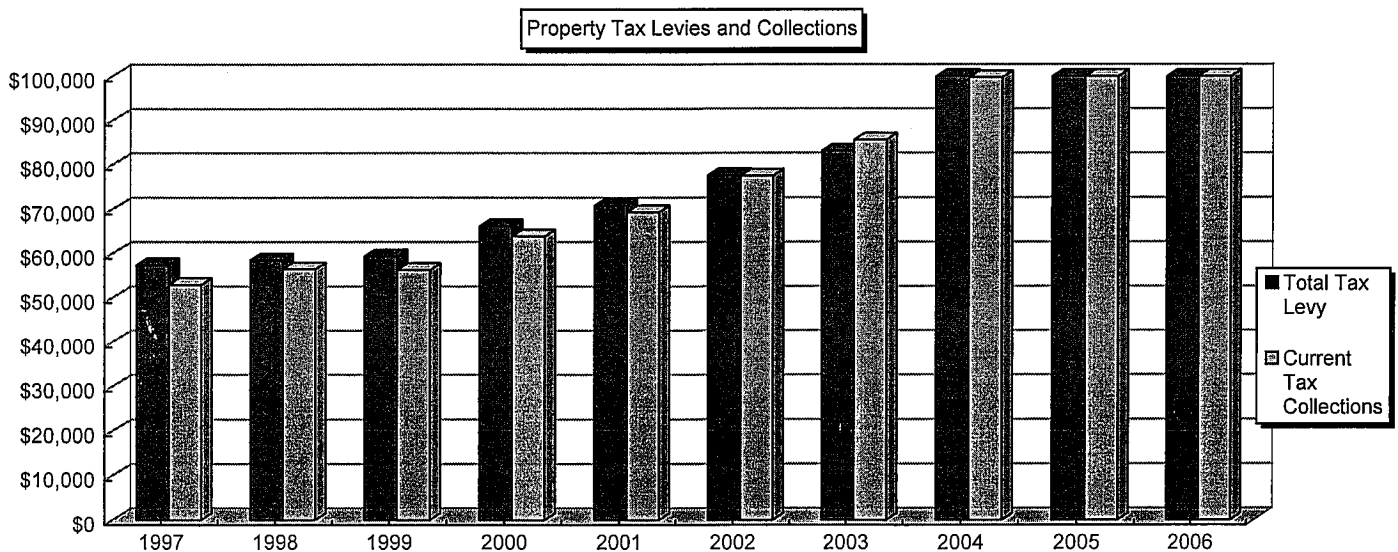
Notes:

- (1) Total tax collections for fiscal years 1997 through 2006 include redevelopment tax increment collections, excluding interest and penalties, in accordance with generally accepted accounting principles as follows:

Fiscal Year-end	Collections (In Thousands)
1997	\$ 13,574
1998	15,593
1999	11,229
2000	18,061
2001	18,917
2002	25,796
2003	27,475
2004	41,718
2005	50,977
2006	63,406

- (2) Excludes interest, penalties and Los Angeles County administrative cost.

- (3) Fiscal year 2003 current tax collections includes approximately \$2,870,000 in unsecured redevelopment tax increment receipts which resulted from a secured parcel audit for the entire City and its redevelopment areas for the fiscal years 1998 through 2002. The audit resulted in the correction of misallocated tax rate areas.



Source: City of Long Beach, Department of Financial Management.

See accompanying independent auditors' report.

City of Long Beach
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(In Thousands, Except Per Capita Amount)

Fiscal Year-end	Governmental Activities						Total Governmental Activities
	Revenue Bonds	Tax Allocation Bonds	Certificates of Participation (1)	Notes Payable	Capital Leases	Other	
1997	\$ 127,700	\$ 134,640	\$ 19,450	\$ 28,775	\$ 38,035	\$ 63,226	\$ 411,826
1998	189,385	134,925	-	24,480	36,225	58,996	444,011
1999	185,890	132,115	-	25,397	34,031	58,972	436,405
2000	184,675	129,160	-	27,375	32,066	57,943	431,219
2001	191,085	121,480	-	31,160	30,421	55,322	429,468
2002	243,375	174,060	-	17,609	45,679	52,156	532,879
2003	244,465	179,974	-	18,757	42,649	44,535	530,380
2004	249,290	175,292	-	9,269	40,682	42,400	516,933
2005	242,685	355,444	-	11,971	31,957	37,962	680,019
2006	231,470	348,626	-	11,146	35,131	34,996	661,369

	Business-type Activities						Total Primary Government	Percentage of Personal Income (3) and (4)	Per Capita (3)
	Revenue Bonds	Certificates of Participation	Notes Payable (2)	Capital Leases	Other	Total Business-type Activities			
1997	\$ 992,775	\$ 21,405	\$ 212,877	\$ 20,176	\$ 34,631	\$ 1,281,864	\$ 1,693,690	2.219 %	\$ 3,834
1998	959,960	20,930	230,431	18,855	57,427	1,287,603	1,731,614	2.092	3,881
1999	977,230	20,195	177,257	17,416	32,786	1,224,884	1,661,289	1.920	3,668
2000	941,860	19,425	145,794	15,851	177,373	1,300,303	1,731,522	1.861	3,765
2001	1,308,845	18,620	147,810	14,244	266,100	1,755,619	2,185,087	2.234	4,676
2002	1,582,180	17,785	82,527	12,805	267,613	1,962,910	2,495,789	2.493	5,275
2003	1,542,800	16,905	85,808	11,223	270,376	1,927,112	2,457,492	2.355	5,116
2004	1,491,930	15,985	89,581	9,484	316,100	1,923,080	2,440,013	2.189	5,009
2005	1,409,610	15,025	188,150	7,572	328,700	1,949,057	2,629,076	2.312	5,348
2006	1,367,640	9,960	104,958	6,119	343,100	1,831,777	2,493,146	N/A	5,058

Note:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) In fiscal year 1998 the City issued \$38,065,000 in revenue bonds to advance refund the outstanding Fleet Services Certificates of Participation reported in the governmental activities and to provide additional funding for a new fleet facility.

(2) Notes payable in fiscal year 2005 included \$97,354,000 abandonment reserve payable to the California State Lands Commission.

(3) See Schedule of Demographic and Economic statistics for personal income and population data.

(4) Personal income is not available for 2006.

See accompanying independent auditors' report.

City of Long Beach
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years
(In Thousands, except Per Capita)

Fiscal Year-end	Outstanding General Bonded Debt			Ratio of Net Bonded Debt to Assessed Value (2)	Per Capita (3)
	Tax Allocation Bonds	Less Debt Service Reserve (1)	Net Bonded Debt (1)		
1997	\$ 134,640	\$ 14,427	\$ 120,213	0.56 %	\$ 272.15
1998	134,925	18,635	116,290	0.54	260.61
1999	132,115	16,756	115,359	0.54	254.71
2000	129,160	17,925	111,235	0.51	243.08
2001	121,480	17,522	103,958	0.44	225.25
2002	174,060	22,016	152,044	0.61	321.36
2003	179,974	20,989	158,985	0.60	330.55
2004	175,292	26,258	149,034	0.50	305.96
2005	355,444	39,059	316,385	0.99	643.63
2006	348,626	36,936	311,690	0.88	632.34

(1) Includes Redevelopment bonds issued during fiscal years 1993, 2002, 2003 and 2005.

(2) Assessed Value can be found in the Schedule of Assessed Value and Actual Value of Taxable Property.

(3) Population data can be found in the Schedule of Demographic and Economic Statistics.

See accompanying independent auditors' report.

City of Long Beach
Schedule of Direct and Overlapping Debt
September 30, 2006
(In Thousands)

<u>DIRECT DEBT:</u>		<u>Outstanding</u>	<u>Exclusions</u>	<u>Outstanding</u>
City of Long Beach				
Lease Revenue Bonds (1)		\$ 255,120	\$ (107,695)	\$ 147,425
Marks-Roos Bonds (2)		33,045	-	33,045
Certificates of Participation		-	-	-
Pension Obligations		89,465	-	89,465
Total Direct Debt		<u>377,630</u>	<u>(107,695)</u>	<u>269,935</u>
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>			
Los Angeles County	3.776 %	8,395	(8,078)	317
Los Angeles Community College District	0.048	655,200	(654,888)	314
Cerritos Community College District	0.399	66,191	(65,927)	264
Compton Community College District	2.112	38,325	(37,516)	809
Long Beach Community College District	88.064	98,950	(11,811)	87,139
Compton Unified School District	0.026	80,330	(80,309)	21
ABC Unified School District	1.528	54,615	(53,780)	835
Long Beach Unified School District	88.066	247,115	(29,491)	217,624
Los Angeles Unified School District	0.059	5,953,365	(5,949,853)	3,512
Paramount Unified School District	8.367	32,935	(30,179)	2,756
Los Angeles County Flood Control District	3.773	127,840	(123,017)	4,823
Metropolitan Water District	1.907	389,565	(382,136)	7,429
Total Overlapping Tax And Assessment Debt (3)		<u>7,752,826</u>	<u>(7,426,983)</u>	<u>325,843</u>
<u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>				
Los Angeles County General Fund Obligations	3.776	1,204,559	(1,159,075)	45,484
Los Angeles County Pension Obligations	3.776	737,082	(709,250)	27,832
Los Angeles County Superintendent of Schools Certificates of Participation	3.776	19,817	(19,069)	748
Long Beach Community College District Certificates of Participation	88.064	34,300	(4,094)	30,206
Los Angeles Unified School District Certificates of Participation	0.059	414,084	(413,840)	244
Long Beach Unified School District Certificates of Participation	88.066	58,655	(7,000)	51,655
Compton Unified School District Certificates of Participation	0.026	29,565	(29,558)	7
Paramount Unified School District Certificates of Participation	8.367	29,310	(26,858)	2,452
County Sanitation District No. 1 Certificates of Participation	1.047	26,692	(26,413)	279
County Sanitation District No. 2 Certificates of Participation	0.152	41,215	(41,152)	63
County Sanitation District No. 3 Certificates of Participation	84.098	31,317	(4,980)	26,337
County Sanitation District No. 8 Certificates of Participation	2.228	16,308	(15,945)	363
County Sanitation District No. 19 Certificates of Participation	37.630	7,424	(4,631)	2,793
Total Overlapping General Fund Obligation Debt		<u>2,650,328</u>	<u>(2,461,865)</u>	<u>188,463</u>
Total Gross Overlapping Combined Debt		10,403,154	(9,888,848)	514,306
Less: Los Angeles County Certificates of Participation (100% self-supporting from leasehold revenues on properties in Marina Del Rey)		<u>(5,712)</u>	<u>(5,709)</u>	<u>(3)</u>
Total Net Overlapping Combined Debt		<u>10,397,442</u>	<u>(9,883,139)</u>	<u>514,303</u>
Total Net Direct And Overlapping Combined Debt (3) (4)		<u>\$ 10,775,072</u>	<u>\$ (9,990,834)</u>	<u>\$ 784,238</u>

Notes:

- (1) The lease revenue bonds amount is net of the Civic Center Project 1997 Series A \$970,000 principal payment paid to the trustee on September 15, 2006 as required by the bond resolution for principal due to bondholders on October 1, 2006.
- (2) The Marks-Roos Bonds amount is net of the Temple and Willow Facility 1998 Series A & B Bonds \$625,000 principal payment paid to the trustee on September 15, 2006 as required by the bond resolution for principal due to bondholders on October 1, 2006. Includes Temple and Willow Facility 2005 Series A Bonds.
- (3) Excludes 1915 Act and Mello-Roos Act bonds.
- (4) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

See accompanying independent auditors' report.

City of Long Beach
Legal Debt Margin Information
Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	1997	1998	1999	2000	2001
Assessed valuation	\$ 21,427,957	\$ 21,403,042	\$ 21,515,605	\$ 21,832,600	\$ 23,688,371
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	5,356,989	5,350,761	5,378,901	5,458,150	5,922,093
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	803,548	802,614	806,835	818,723	888,314
Total net debt applicable to limit: General obligation bonds	-	-	-	-	-
Legal debt margin	<u>\$ 803,548</u>	<u>\$ 802,614</u>	<u>\$ 806,835</u>	<u>\$ 818,723</u>	<u>\$ 888,314</u>
Total debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%

	Fiscal Year				
	2002	2003	2004	2005	2006
Assessed valuation	\$ 24,989,993	\$ 26,454,417	\$ 29,613,229	\$ 32,069,711	\$ 35,519,905
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	6,247,498	6,613,604	7,403,307	8,017,428	8,879,976
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	937,125	992,041	1,110,496	1,202,614	1,331,996
Total net debt applicable to limit: General obligation bonds	-	-	-	-	-
Legal debt margin	<u>\$ 937,125</u>	<u>\$ 992,041</u>	<u>\$ 1,110,496</u>	<u>\$ 1,202,614</u>	<u>\$ 1,331,996</u>
Total debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. This provision was enacted when assessed valuation was based on 25% of market value. Effective with fiscal year 1982 each parcel is assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: City of Long Beach, Department of Financial Management
County of Los Angeles, Department of Auditor-Controller

See accompanying independent auditors' report.

City of Long Beach
Pledged Revenue Coverage
Gas Fund Revenue Bond Coverage
Last Ten Fiscal Years
(In Thousands)

Fiscal Year-end (1)	Operating Revenue	Operating Expenses (1)	Net Operating Income	Non- Operating Income (1)	Net Revenue or Funds Available for Debt Service	Debt Service Requirements			Times Coverage
						Principal	Interest	Total	
1997	\$ 66,455	\$ 46,975	\$ 19,480	\$ 1,969	\$ 21,449	\$ 475	\$ 580	\$ 1,055	20.3
1998	69,511	49,492	20,019	2,251	22,270	495	563	1,058	21.0
1999	75,654	47,757	27,897	2,004	29,901	510	545	1,055	28.3
2000	70,874	56,478	14,396	1,511	15,907	530	524	1,054	15.1
2001	124,691	118,667	6,024	1,855	7,879	550	502	1,052	7.5
2002	62,301	51,289	11,012	1,004	12,016	575	478	1,053	11.4
2003	75,323	64,331	10,992	738	11,730	600	452	1,052	11.2
2004	83,752	73,059	10,693	5,360	16,053	625	424	1,049	15.3
2005	98,998	84,109	14,889	5,858	20,747	655	394	1,049	19.8
2006	107,481	96,786	10,695	5,807	16,502	655	394	1,049	15.7

Water Fund Revenue Bond Coverage
Last Ten Fiscal Years
(In Thousands)

1997	\$ 60,247	\$ 45,122	\$ 15,125	\$ 3,095	\$ 18,220	\$ 1,045	\$ 2,627	\$ 3,672	5.0
1998	56,395	42,932	13,463	3,130	16,593	1,125	2,539	3,664	4.5
1999	57,619	43,854	13,765	6,043	19,808	1,325	2,247	3,572	5.5
2000	60,252	46,508	13,744	1,066	14,810	1,385	2,194	3,579	4.1
2001	57,773	46,526	11,247	4,554	15,801	1,450	2,138	3,588	4.4
2002	58,969	48,324	10,645	1,616	12,261	1,505	2,080	3,585	3.4
2003	58,944	44,653	14,291	1,162	15,453	1,570	2,019	3,589	4.3
2004	63,185	47,752	15,433	2,055	17,488	1,645	1,954	3,599	4.9
2005	64,522	50,146	14,376	1,710	16,086	1,110	1,884	2,994	5.4
2006	66,074	53,059	13,015	1,564	14,579	1,110	1,884	2,994	4.9

Solid Waste Management Fund
SERRF Authority Revenue Bond Coverage
Last Ten Fiscal Years (2)
(In Thousands)

1997	\$ 73,745	\$ 49,418	\$ 24,327	\$ 4,882	\$ 29,209	\$ -	\$ 9,623	\$ 9,623	3.0
1998	75,034	49,056	25,978	5,043	31,021	-	9,623	9,623	3.2
1999	66,486	49,643	16,843	2,886	19,729	3,000	9,623	12,623	1.6
2000	65,005	52,409	12,596	5,004	17,600	3,400	9,307	12,707	1.4
2001	71,188	59,387	11,801	6,219	18,020	3,700	9,069	12,769	1.4
2002	67,931	58,441	9,490	5,376	14,866	3,900	8,814	12,714	1.2
2003	69,441	55,073	14,368	(6,332)	8,036	4,200	5,088	9,288	0.9
2004	71,198	56,169	15,029	(2,424)	12,605	4,500	4,914	9,414	1.3
2005	70,128	58,046	12,082	1,819	13,901	6,185	4,985	11,170	1.2
2006	78,173	65,218	12,955	5,385	18,340	6,185	4,985	11,170	1.6

Notes:

- (1) Operating expenses exclude depreciation; non-operating income excludes interest expense.
- (2) The SERRF Authority issued revenue bonds on December 1, 1985, and August 1 and December 1, 1986. According to the December 1, 1986 bond resolution interest was funded from bond proceeds through August, 1989. These bonds were refunded by the SERRF Authority Lease Revenue refunding Bond Series 1995. Current debt service payments for the previous issues were covered by the 1995 refunding issue proceeds. The 1995 refunding bonds were refunded by the SERRF Authority Lease Revenue Bonds Series 2003 in October 2003.

Source: City of Long Beach, Department of Financial Management.

See accompanying independent auditors' report.

City of Long Beach
Pledged Revenue Coverage
Civic Center Revenue Bond Coverage
Last Ten Fiscal Years (2)
(In Thousands)

Fiscal Year-end	Operating Revenue (2)	Operating Expenses (1) and (2)	Net Operating Income	Non- Operating Income (Loss) (1) and (2)	Net Revenue or Funds Available for Debt Service	Debt Service Requirements			Times Coverage
						Principal	Interest	Total	
1997	\$ 10,313	\$ 5,142	\$ 5,171	\$ 826	\$ 5,997	\$1,560	\$1,176	\$2,736	2.2
1998	10,272	5,807	4,465	6,510	10,975	720	1,808	2,528	4.3
1999	10,207	5,859	4,348	424	4,772	795	2,091	2,886	1.7
2000	10,178	6,549	3,629	2,047	5,676	875	2,087	2,962	1.9
2001	10,314	5,988	4,326	1,877	6,203	915	2,048	2,963	2.1
2002	11,805	7,509	4,296	1,203	5,499	950	2,008	2,958	1.9
2003	11,749	6,515	5,234	675	5,909	850	1,965	2,815	2.1
2004	11,899	6,893	5,006	378	5,384	885	1,929	2,814	1.9
2005	10,867	6,549	4,318	432	4,750	925	1,891	2,816	1.7
2006	10,080	4,074	6,006	552	6,558	970	1,851	2,821	2.3

Fleet Services Fund
Temple Willow Revenue Bond Coverage
Last Nine Fiscal Years
(In Thousands)

1998	\$ 19,666	\$14,256	\$ 5,410	\$ (58)	\$ 5,352	\$ -	\$ 784	\$ 784	6.8
1999	21,644	13,818	7,826	1,642	9,468	605	1,882	2,487	3.8
2000	22,891	15,019	7,872	1,288	9,160	630	1,858	2,488	3.7
2001	24,560	15,181	9,379	2,168	11,547	655	1,832	2,487	4.6
2002	27,101	14,942	12,159	674	12,833	680	1,806	2,486	5.2
2003	26,382	14,258	12,124	52	12,176	710	1,778	2,488	4.9
2004	24,684	15,557	9,127	656	9,783	740	1,749	2,489	3.9
2005	25,900	17,399	8,501	1,809	10,310	770	1,717	2,487	4.1
2006	26,926	18,598	8,328	789	9,117	940	1,526	2,466	3.7

Notes:

- (1) Operating expenses exclude depreciation; non-operating income excludes interest expense.
- (2) The Civic Center Authority was dissolved in December 1997. The Civic Center Project 1997 Bonds were issued in December 1997 to refund the Civic Center Authority Bonds and to provide additional project funds for improvements. The 1998 Non-Operating Income consists of \$4.6 million in miscellaneous revenues as a result of the Civic Center Authority dissolution.

Source: City of Long Beach, Department of Financial Management.

See accompanying independent auditors' report.

City of Long Beach
Pledged Revenue Bond Coverage
Tideland Operating Segment
Revenue Bond Coverage
Last Six Fiscal Years (2)
(In Thousands)

Fiscal Year-end	Beginning Unreserved Fund Balance	Operating Revenue	Operating Expenses (1)	Net Operating Income (Loss)	Non - Operating Income (Loss) (1)	Net Amount Available for Debt Service	Debt Service Requirements			Times Coverage
							Principal	Interest	Total	
2001	\$ N/A	\$ 19,240	\$ 20,746	\$ (1,506)	\$ 2,952	\$ 1,446	\$ 905	\$ 84	\$ 989	-
2002	N/A	27,783	37,623	(9,840)	5,724	(4,116)	1,000	2,761	3,761	-
2003	N/A	31,699	37,496	(5,797)	2,088	(3,709)	-	6,558	6,558	-
2004	N/A	32,390	37,600	(5,210)	1,815	(3,395)	-	6,558	6,558	-
2005	N/A	33,593	43,633	(10,040)	1,679	(8,361)	-	6,558	6,558	-
2006	N/A	48,859	57,923	(9,064)	3,658	(5,406)	-	6,558	6,558	-

Marina Segment
Marina Revenue Bond Coverage
Last Ten Fiscal Years (3)
(In Thousands)

1997	\$ 3,279	13,056	10,716	\$ 2,340	\$ 294	\$ 5,913	\$ 2,150	1,500	\$ 3,650	1.6
1998	1,338	13,975	11,171	2,804	(83)	4,059	2,240	1,411	3,651	1.1
1999	821	13,940	10,617	3,323	358	4,502	2,335	1,316	3,651	1.2
2000	3,310	14,055	11,017	3,038	1,830	8,178	2,435	1,214	3,649	2.2
2001	1,014	14,995	10,727	4,268	(79)	5,203	2,545	1,107	3,652	1.4
2002	974	15,564	10,812	4,752	470	6,196	2,660	991	3,651	1.7
2003	1,412	16,171	10,293	5,878	(370)	6,920	2,785	867	3,652	1.9
2004	1,851	16,223	10,759	5,464	571	7,886	2,915	734	3,649	2.2
2005	1,950	16,008	11,395	4,613	300	6,863	3,060	592	3,652	1.9
2006	(3,399)	16,691	11,972	4,719	377	1,697	3,145	436	3,581	0.5

Notes:

- (1) Operating expenses exclude depreciation; non-operating income excludes interest expense.
- (2) The Long Beach Aquarium of the Pacific Lease Revenue Refunding Bonds Series 2001 were issued to (1) refund the Long Beach Aquarium of the Pacific Revenue Bonds 1995 Series A and 1995 Series B, (2) to fund a reserve fund for the Series 2001 Bonds, and (3) to pay certain costs of issuance in connection with the Series 2001 Bonds. Fiscal year 2001 reflects final bond payment of \$1,000,000 for the Parking Authority Refunding bonds.
- (3) The Marina Refunding Revenue Bonds Series 1986 were refunded by the Marina Refunding Revenue Bonds Series 1995. Current debt service payments for the 1986 Bonds were covered by the 1995 refunding issue proceeds.

Source: City of Long Beach, Department of Financial Management.

See accompanying independent auditors' report.

City of Long Beach
Pledged Revenue Coverage
Rainbow Harbor Area Segment
Revenue Bond Coverage
Last Eight Fiscal Years (2)
(In Thousands)

Fiscal Year-end	Operating Revenue	Operating Expenses (1)	Net Operating Income (Loss)	Non- Operating Income (1) (Loss)	Net Revenue Available for Debt Service	Debt Service Requirements			Times Coverage
						Principal	Interest	Total	
1999	\$ 3,779	\$ 3,589	\$ 190	\$ 501	\$ 691	\$ -	\$ -	\$ -	-
2000	2,036	3,572	(1,536)	429	(1,107)	-	-	-	-
2001	2,170	3,808	(1,638)	372	(1,266)	-	2,440	2,440	-
2002	2,486	3,799	(1,313)	384	(929)	65	2,440	2,505	-
2003	2,672	3,740	(1,068)	596	(472)	80	2,437	2,517	-
2004	4,609	5,537	(928)	154	(774)	90	2,434	2,524	-
2005	5,386	8,897	(3,511)	337	(3,174)	1,455	2,430	3,885	-
2006	6,404	8,728	(2,324)	338	(1,986)	1,515	2,369	3,884	-

Harbor Fund
Revenue Bond Coverage
Last Ten Fiscal Years
(In Thousands)

1997	\$177,230	\$36,874	\$ 140,356	\$15,189	\$155,545	\$ 16,620	\$ 47,384	\$64,004	2.4
1998	188,587	38,238	150,349	16,635	166,984	18,690	42,371	61,061	2.7
1999	198,483	39,952	158,531	5,220	163,751	22,680	44,637	67,317	2.4
2000	225,504	45,286	180,218	3,436	183,654	26,715	39,806	66,521	2.8
2001	228,079	50,573	177,506	14,080	191,586	28,290	46,165	74,455	2.6
2002	223,999	40,085	183,914	6,386	190,300	17,960	51,239	69,199	2.8
2003	249,542	45,394	204,148	(2,524)	201,624	30,145	60,757	90,902	2.2
2004	280,782	59,755	221,027	12,987	234,014	32,590	60,474	93,064	2.5
2005	329,208	66,737	262,471	26,524	288,995	34,215	58,444	92,659	3.1
2006	353,294	80,328	272,966	27,741	300,707	34,935	54,556	89,491	3.4

Notes:

- (1) Operating expenses exclude depreciation and amortization; non-operating income excludes amortization and interest expense.
- (2) The Rainbow Harbor Area Segment of the Tidelands Fund fund balance is considered adequate to cover the debt service. Operating transfers are made to provide funding to the Rainbow Harbor Area from other Tidelands funds on an as needed basis.

Source: City of Long Beach, Department of Financial Management.

See accompanying independent auditors' report.

City of Long Beach
Demographic Statistics
Last Ten Fiscal Years

Fiscal Year-end	Estimated Population (1)	Personal Income (in millions) (2) and (5)	Per Capita Personal Income (2) and (5)	Public School Enrollment (3)	Unemployment Rate (4)
1997	441,718	\$ 7,633	\$ 17,281	91,932	6.6 %
1998	446,227	8,278	18,552	89,408	6.2
1999	452,905	8,651	19,160	91,465	5.6
2000	459,900	9,302	20,227	94,527	5.5
2001	467,300	9,782	20,934	95,193	5.7
2002	473,100	10,013	21,164	97,369	6.3
2003	480,400	10,437	21,726	97,370	6.4
2004	487,100	11,146	22,883	97,560	5.9
2005	491,564	11,370	23,266	96,319	6.5
2006	492,912	N/A	N/A	93,589	5.3

Sources:

(1) California Department of Finance.

(2) Bureau of Economic Analysis.

Personal income and per capita personal income for 1997, 1998, and 2000-2004 are based on percent change of per capita personal income for Los Angeles-Long Beach-Santa Ana, CA (Metropolitan Statistic Area).

(3) California Department of Education. Annual school census from Long Beach Unified School District for preschool, grades kindergarten through 12.

(4) Average annual rate reported by California Employment Development Department.

(5) Personal income and per capita personal income are not available for 2006.

See accompanying independent auditors' report.

City of Long Beach
Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year 2006		Fiscal Year 1997	
	Number of Employees (1)	Percentage of Total City Employment (2)	Number of Employees (1)	Percentage of Total City Employment (2)
Long Beach Unified School District	9,064	3.90%	11,887	5.67%
The Boeing Co	6,525	2.81%	19,808	9.46%
California State University Long Beach (3)	6,007	2.59%	2,755	1.32%
City of Long Beach	5,854	2.52%	5,605	2.68%
Long Beach Memorial Medical Center	3,500	1.51%	3,876	1.85%
Verizon	2,000	0.86%	N/A	N/A
Long Beach City College	2,000	0.86%	1,518	0.72%
U.S. Postal Service	1,900	0.82%	910	0.43%
Veterans Affairs Medical Center	1,700	0.73%	2,278	1.09%
St. Mary Medical Center	1,634	0.70%	1,779	0.85%

Sources:

(1) City of Long Beach Community Development Long Beach Major Employer Directory-current listing

(2) US Census Bureau Labor Force as of 2005

(3) Includes 1,011 part-time employees

See accompanying independent auditors' report.

City of Long Beach
City Employees
Last Three Fiscal Years

Function	Fiscal Year		
	2004	2005	2006
Legislative and Legal	140	139	143
General Government	469	433	447
Public Safety	2,121	2,125	2,143
Public Health	435	414	399
Community and Cultural	1,103	1,119	1,100
Public Works	370	375	373
Gas	177	169	178
Water	230	215	217
Airport	71	85	90
Solid Waste Management	125	134	143
Towing	45	42	38
Tideland Oil Revenue	38	35	34
Harbor	335	327	337
	<u>5,659</u>	<u>5,612</u>	<u>5,642</u>

Source: City of Long Beach, Department of Financial Mangement

See accompanying independent auditors' report.

City of Long Beach
Operating Indicators by Function
Current Fiscal Year

Function	Fiscal Year 2006
Public Safety	
Police priority one calls response time in minutes	4.5
Violent crime rate - per 1,000 residents	6.99
Fire on-scene arrival for emergency calls within six minutes	73.6%
Public Health	
Percentage of beach days that are safe for swimming in summer	94%
Daily homeless population ratio vs. total population	0.91%
Community and Cultural	
Public library computer session log-ons	305,130
Parks, recreation programs - youth and teen attendance	647,705
Public Works	
Number of trees trimmed	28,401
Curbs & alleys swept in miles	165,706
Sidewalk repaired in square feet	436,505
Storm drain catch basins cleaned	5,110
Gas	
Gas consumption in sales dollars-total	\$ 100,336,000
Gas consumption in cubic feet (in thousands)	1,065,974
Average daily gas consumption (MCF)	30,186
Gas mains replace/relocated in feet	60,496
Gas mains installed in feet	22,590
Gas meters installed/removed/replaced	6,880
Water	
Water daily demand in thousand gallons	59,317
Water annual demand in thousand gallons	21,650,844
Available supply total in thousand gallons	23,607,579
Sewer	
Sewer mains cleaned in miles	474
Sewer mains & laterals repaired in number of jobs	296
Airport	
Number of commercial passengers enplaned	1,412,636
Number of commercial passengers deplaned	1,402,379
Number of aircraft landings & take offs	360,811
Solid Waste Management	
Number of refuse tons collected	216,725
Number of recycling tons collected	31,413
SERRF tons of refuse received	495,794
SERRF energy sold to So Cal Edison megawatt-hours	236,384
Harbor	
Number of container movements in twenty-foot equivalent units	7,166,771
Cargo in thousands of metric revenue tons	168,416
Number of ship calls	5,588

Sources: City Departments

See accompanying independent auditors' report.

City of Long Beach
Capital Asset Statistics by Function
Current Fiscal Year

Function	Fiscal Year 2006
Public Safety	
Number of police stations	1
Number of police substations (full facility)	2
Number of police storefront stations	4
Number of fire stations	23
Community and Cultural	
Number of Parks	115
Parks and Golf Courses in acres	2,855
Number of Libraries	12
Number of Library holdings (books, videos, tapes)	984,727
Number of Library Circulations	1,396,443
Public Works	
Street in miles	815
Storm drain lines in miles	180
Number of street lights	31,582
Gas	
Gas mains in miles	921.5
Water	
Water mains in miles	907
Number of fire hydrants	6,505
Sewer	
Sanitary sewers in miles	712
Number of manholes	16,044
Sanitary sewer pump stations	28
Storm drain pump stations	23
Solid Waste Management	
Number of waste-to-energy facilities	1

Sources: City Departments

See accompanying independent auditors' report.